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WORLD NEWS

Czechs expel four Britons in reprisal

Czechoslovakia last night ordered three British diplomats and a businessman to leave the country — a swift and predictable reaction to Britain's expulsion of four Czech diplomats on Thursday.

First secretaries Rick Todd and Anthony Arnold, press secretary Patricia Holland and Nicholas Brooks, Shell Oil's representative in Prague, were accused by the Czechoslovak Foreign Ministry of unacceptable behaviour.

China set for purge

China is braced for a purge of top Communist Party and military officials amid talk of a "secret plot" against party rule. Page 22; China's elders limp back to the TV screen, Page 2

Police chief apologises

Chief Supt David Duckenfield, the policeman in charge at Hillsborough, admitted misleading football officials and his own senior officer by withholding the fact that the gate which caused the disaster was opened on police orders, not broken down by Liverpool fans. He also apologised at the disaster inquiry for having implied that fans caused Hillsborough's 95 deaths.

Mackay quits church

Lord Mackay, the Lord Chancellor, left the fundamentalist Free Presbyterian Church of Scotland which had suspended him for attending Roman Catholic requiem masses. He said he would never give the undertaking required by the church not to attend similar services in future.

Briton killed in Peru

British tourist Colin Bartley, 25, of Clwyd, north Wales, was shot in the head by Maoist rebels in Peru. The murder was said to have followed a mock trial at the remote Andean village of Oyeros.

Doctor's murder charge

A 27-year-old doctor is to be charged with murdering a terminally ill cancer patient who died at a hospital in Reading, Berkshire, the Crown Prosecution Service said. A post-mortem examination showed the patient had died from acute potassium poisoning.

Gay marriages legalised

Denmark's parliament voted by two to one to legalise homosexual marriages.

Broadcast ban upheld

The High Court in London upheld the Government's right to ban broadcast interviews with the IRA and other extremist Northern Ireland organisations. Three judges held the measure was reasonable and did not breach the European Convention on Human Rights. Page 5

Curfew in Nigeria

Nigeria clamped a dusk-to-dawn curfew on the south-eastern city of Benin after protestors against austerity barricaded roads, set army vehicles alight and broke into prisons.

Spain honours Briton

Wheelchair-bound British scientist Stephen Hawking, 47, has been awarded Spain's Prince of Asturias Concord prize of Ptas2m (£10,075) for his work in theoretical physics.

Arab summit ends

Arab leaders ended their Casablanca summit without agreeing on a solution to the Lebanon crisis. Page 2

British Press Awards

Financial Times Bonn correspondent David Marsh has won the David Holden award for correspondents based abroad, and Christina Lamb was named young journalist of the year for her despatches from Afghanistan. Page 4

Financial Times

The Financial Times will not appear on Monday, the Spring Bank Holiday.

BUSINESS SUMMARY

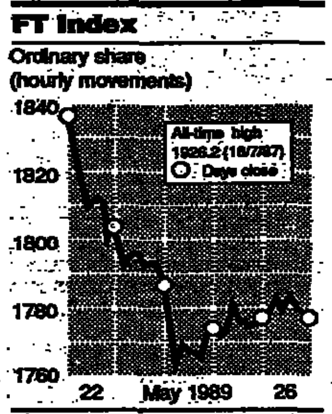
GDP down by 0.2% in first quarter

UK gross domestic product fell by a seasonally adjusted 0.2 per cent between the last three months of 1988 and the first quarter of this year. It was the first quarterly fall since 1985, according to the Central Statistical Office.

A steep fall in energy output led to a contraction in total UK economic activity. Page 22

UK EQUITIES: Fresh uncertainties about the dollar and the outlook for Japanese interest rates helped check early in the London stock market as the first leg of the trading

FT Index



Account drew to its close. On the week the FT Ordinary index was down 58.7, from 1,837.5 to 1,778.8. Stock market report, Page 15; World Stock Markets, Page 15; Lex, Page 22

BICC, the UK cable company, and STC, the UK information technology group, are to receive £160m from British Telecom as an initial payment on a £300m contract for supplying telephone cables over the next two years. Page 5; GE deal for worldwide phone link, Page 2

IRI, the Italian state holding group, achieved a nearly seventold increase in group net profit to L1,280bn (£531m) for 1988, helped by sharply reduced losses from steel subsidiaries. Page 10

NEC, one of Japan's largest electronics groups, raised consolidated annual pre-tax profits by 83.5 per cent to Y132bn (£589m), due to strong investment in industrial plant and equipment. Page 10

FORD of the US may bid for UK car maker Jaguar, according to an interview with Mr Donald Petersen, Ford chairman, in the Chicago Tribune. Stock market report, Page 15

CHANNEL TUNNEL: Balfour Beatty Power of Britain and Spie Batignolles, the French construction and electrical engineering group, were awarded the biggest single contract so far, worth more than £200m, for the supply and installation of the electricity distribution system to power the railway in the Channel tunnel. Page 4

ABBEY National Building Society members may receive a smaller than expected hand-out of free shares during its stock market flotation this summer because of the fall in the building market. Page 4

COMMONWEALTH Development Corporation, the British bilateral development finance agency, will receive government support of £70m in 1989-90, up from £49m in 1988-89. Page 5

SUN Alliance, one of the UK's leading investment institutions, criticised the leveraged buy-out bid for Magnet, the Yorkshire based kitchen furniture group, as being the thin end of a dangerous wedge for the UK corporate scene. Page 8; Lex, Page 22

COAL miners at a Midlands colliery responded enthusiastically to an offer of £1m worth of cut-price shares in the first of a chain of power stations which British Coal wants to build on colliery sites after the privatisation of the electricity industry. Page 5

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.5910	New York lunchtime: DM1.9805	FT-SE 100: 2,140.3 (+3.7)
London: $1.5890 (1.5800)	FFr6.7075	FT Ordinary: 1,778.8 (+1.5)
DM3.1600 (3.1525)	SFr1.7295	FT-A All Share: 1,103.61 (+0.3%)
FFr10.7025 (10.6800)	Y141.00	FT-A long gilt yield index high coupon: 9.48 (9.46)
SFr2.7575 (2.7750)	London: DM1.9890 (1.9950)	New York lunchtime: DJ Ind. Av. 2,488 (+6.23)
Y224.75 (224.25)	FFr6.7350 (6.7600)	Tokyo: Nikkei 34,191.62 (+186.23)
£ index 93.4 (93.1)	SFr1.7360 (1.7560)	LONDON MONEY
GOLD	Y141.40 (141.95)	3-month interbank: closing 13 15/32% (same)
New York: Comex Jun $366.0	$ index 72.2 (same)	
London: $363.5 (364.75)	Tokyo close: 140.40	
N SEA OIL (Argus) Brent 15-day Jun $17.625 (18.125)	US LUNCHTIME RATES	
Chief price changes yesterday: Page 22	Fed Funds 9 3/4%	
	3-mo Treasury Bills: yield: 8.837%	
	Long Bond: 102 3/8, yield: 8.618%	

Central banks frustrated as dollar rallies strongly

By Simon Holberton, Economics Staff

THE DOLLAR staged a strong recovery on foreign exchange markets yesterday, defying two rounds of concerted central bank intervention that included West Germany's Bundesbank for the first time in 12 days.

The dollar's rise, after opening sharply lower in Europe and following an unimpressive performance on Thursday, left central bankers frustrated.

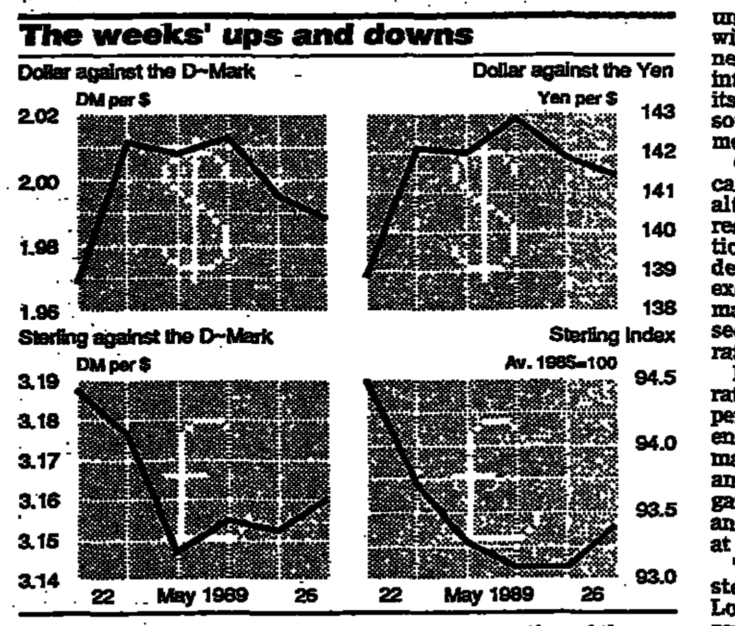
Although in London the dollar closed marginally below its level of Thursday some officials believe the conduct of their intervention was too late and tactically inept.

The US currency's behaviour yesterday came at the end of a week in which it rose through the psychologically important levels of DM2 and Y140 and in which the resolve of the Group of Seven leading industrial countries to preserve currency stability was tested and questioned.

Central banking officials said that in the past 10 days the US and Japanese monetary authorities, together with a squad of European central banks, had sold $8bn-$9bn in their attempt to stop the US currency rising against the D-Mark and the yen.

European officials said the efforts of the central banks over the past 10 days or so represented a big step up in currency market operations compared with their activities

The weeks' ups and downs



just weeks ago.

A report released by the US Federal Reserve late on Thursday underlined the size of these activities. It indicated the Fed and the US Treasury had used more than $3bn in intervention over the period. It appears that the Bank of Japan sold around $2bn.

Before its rally, the dollar had been unsettled by reports that the Bank of the Japan would raise its discount rate from 2.5 per cent to 3.25 per cent after a meeting of the central bank's board on Tuesday. The bank later confirmed the report that rates would rise for the first time in nine years.

The market was also rife with speculation that the Bundesbank's policy-making council would sanction a rise in the West German discount and Lombard rates, currently 4.5 per cent and 6.5 per cent respectively, when it met on Thursday.

However it would appear unlikely that the Bundesbank will alter its credit policies next week, unless there is intense pressure to do so from its regional board members or some unanticipated development.

Officials in Frankfurt indicated that the central bank alters its credit policies in response to economic conditions in West Germany, not developments in foreign exchange markets. West German money supply figures are seen as benign for interest rates.

Pressures on UK interest rates, which were raised to 14 per cent on Wednesday, lessened yesterday falter sterling made ground against the dollar and the D-Mark. The pound gained three-quarters of a cent and a pfennig to end the week at $1.589 and DM3.16.

The slightly firmer tone to sterling trading helped the London stock market where prices rose. The FT-SE 100-Share Index closed 3.7 better at 2,140.3. But it was sharply down on a week ago as the rise in UK interest rates and the

Continued on Page 22

Rise in US savings, Page 2; Japanese discount rate, Page 3; Editorial Comment, Page 6; How Lawson missed his mark, Page 6; Money Markets, Page 11; Wall Street, Pages 12 and 13; London Stocks, Page 14; Government bonds, Page 15; Lex, Page 22

US seeks trade talks with Japan

By Nancy Dunne in Washington and our foreign staff

THE US is to seek wide-ranging economic and trade talks with Japan in the wake of its announcement on Thursday night that the country was to be singled out for unfair trade practices under last year's Trade Act.

The Administration's decision to name India and Brazil as well as Japan for erecting barriers to US trade met international protest but was praised by US businessmen and Congress.

To ease relations with Japan, *President Bush directed the* Secretaries of State, Treasury, Commerce, the US Trade Representative and others to pursue high-level bilateral talks with Japan on trade and economic policy issues.

The negotiations would initially focus on structural barriers to imports, such as the rigidity in the Japanese distribution system and pricing mechanisms. They would also cover structural adjustment, balance of payments adjustment, Japan's anti-competitive practices such as bid-rigging and its land use.

Mr Rober Mosbacher, Commerce Secretary, said yesterday: "By opening this up and being very candid about our differences at this time, we're not only opening markets, we're opening our dialogue. It means there's less chance of trouble down the line."

Mr Mosbacher said the nam*ing of Japan as an "unfair* trader," under the aggressive new US trade law was "more positive than negative" for the US-Japanese relationship because it provided at least three years for bilateral negotiations over trade differences.

The blow of the decision has been softened by an emphasis on specific trade barriers for action, and possibly retaliation: Japan's government procurement practices in satellites and supercomputers and its technical barriers to trade in forest products; Brazil's import restrictions and India's investment and services barriers.

The so-called Super 301 list calls for immediate talks with the "priority countries" cited and gives three years for a phasing out of the specified trade barriers.

Mr Mosbacher called "crazy" the widespread concern of trade wars arising from US *retaliation, if the talks failed to* produce results.

However, in Japan, Mr Sosuke Uno, Foreign Minister, accused the US of hypocrisy. The US maintained import restrictive measures, he said. Mr Dinesh Singh, Indian Commerce Minister called the citation of his country "totally unjustified, irrational and unfair."

The European Community, which was not named under the act, said: "We profoundly regret the US has chosen this route." Officials in Taipei and Seoul said they expected their countries would come under renewed trade pressure even though they had also not been named.

Congress, which designed the aggressive US trade strategy, reacted generally favourably to the list. Mr Dan Rostenkowski, Chairman of the House Ways and Means Committee, *called it "a positive step* towards dismantling foreign trade barriers that adversely affect US interests."

Senator Donald Riegle, a key author of Super 301, praised the inclusion of Japanese distribution systems on the US-Japanese agenda, saying it would address barriers to US auto and auto parts exports.

Super 301 reaction, Page 3

Sea Containers faces $824m bid

By Andrew Hill

AN unsolicited $824m (£519m) bid for Sea Containers, the Bermuda-based owner of Sealink UK *ferries, was launched in* the US yesterday by Stena, the privately-controlled Swedish shipping group, and Tiphook, the UK container rental company.

If the bid succeeds, Stena, which operates ferries in Scandinavia, will eventually pay $398m for Sealink, including the group's property and land assets in UK ports.

Tiphook will pay the balance of $426m for the container interests, becoming the world's third largest rented container group. It will fund the deal with a £235m rights issue.

Mr James Sherwood, Sea Containers' pugnacious chairman, who has transformed the New York-listed group from net losses of $50m in 1986 to earnings of $85.2m last year, was still considering the offer yesterday. He and his management own some 7 per cent of the shares, and a further 18 per cent belongs to Sea Containers subsidiaries.

Sea Containers said a statement was unlikely until after Monday, which is a holiday in Britain and the US.

Last month, Stena, which already owns 8.2 per cent of the company, had talks in Lon*don with Sea Containers about* a possible joint ferry operation with Sealink on the English Channel routes, but the Bermuda-based group ruled out co-operation.

Mr Dan Sten Olsson, Stena's chief executive, said yesterday that Mr Sherwood had only wanted to discuss the sale of the ferry operation if Stena promised not to bid for the whole company within a year.

He said he was sure the Swedish company could improve the Channel service, which competes with Peninsular and Oriental Steam Navigation ferries, in preparation for the opening of the Channel tunnel in 1993.

Mr Robert Montague, Tiphook's chairman, added: "I think Sea Containers' problem is that their middle management is not given the opportunity to develop the [containers] business properly because there is inconsistency at the top."

Temple Holdings — the company set up to make the bid — is still hoping it can agree a bid with Sea Containers, but pending legal disputes suggest it could be a difficult to patch up a deal.

Storms are brewing in the US courts, with Stena and Sea Containers each claiming the other broke US securities regulations over share purchases.

Temple, which is advised by Morgan Grenfell, will also challenge a "poison pill" protection which allows Sea Containers shareholders to subscribe for new preference shares in the event of a bid.

The legal process will be complicated still further if the companies have to settle the dispute in Bermuda, where commercial law is less developed than in Britain or the US.

Temple's offer is pitched at $50 a share, although some US analysts have suggested a price as high as $70.

Stena said yesterday that the development value of Sea Containers' property assets had been overestimated by the company and by New York arbitrageurs who are thought to have built up large holdings in the company since Stena bought its shares at about $33 apiece.

Details, Page 8; Lex, Page 22; London Stocks, Page 15

DTI to probe Blue Arrow

By Philip Coggan

THE Department of Trade and Industry yesterday launched an investigation into the affairs of Blue Arrow, the UK employment agency.

The inspectors have been asked to look in particular at events surrounding a £25m loan by Blue Arrow to Chaincrock Corporation, a company controlled by Mr Peter de Savary, the yachtsman entrepreneur.

The inquiry follows weeks of speculation and controversy over the loan, made when Mr Tony Berry was chairman of the company.

Mr Berry, who has since been ousted from the board, has maintained he made the loan with the board's authority; the other directors have disputed this.

A DTI investigation is already under way into the conduct of County Nat West, Blue Arrow's former merchant bank, at the time of the company's £837m rights issue in 1987. County ended up with a 9.5 per cent stake in the company after the issue.

Both inquiries have been ordered under Section 432 of the 1985 Companies Act, which is used for the most serious and wide-ranging of the department's investigations. Only four other investigations under the section have been launched in the past four years.

Section 432 of the Act states that the Secretary of State may appoint an inspector if it seems "that persons concerned with the company's formation or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or *other misconduct towards it or* towards its members" and if "the company's members have not been given all the information with respect to its affairs which they might reasonably expect".

Mr Mitchell Fromstein, Blue Arrow's chairman and chief executive, said in a statement yesterday that "the company will of course co-operate fully with any investigation the DTI wishes to make". Mr Berry also said he would give the DTI his full co-operation.

The loan was revealed to shareholders at the company's Annual General Meeting last month. At first, the identity of the borrower was not revealed because of a confidentiality clause in the loan agreement.

It was eventually revealed that the interest-free loan was designed to finance a property

Continued on Page 22

Weekend FT

ARTS AND THE MARKET

Antony Thorncroft argues that the Government should accept its obligation to fund artists and free them for their proper role.

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Plus: Viva! London's South Bank goes Latin; arts reviews and news

Pages XXII-XXIII

Finance

John Plender on how the dollar's rise spoiled the party for equity investors

Page III

Diversions

Robin Lane Fox thinks small is beautiful at Chelsea Flower Show.

Plus: Christian Tyler talks to students anxious to return to China.

Lucia van der Post on fashionable footwear.

Peter Gillman on the best way for walkers to stay dry.

And Tom Fort on why we should keep an eye on Lord Crickhowell

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Books

A.L. Rowse praises a man whom he considers truly great

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Sport

Ben Wright on golf and John Barrett on tennis

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr50; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr7.00; Germany DM2.50; Greece Dr120; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3.100; Ireland I£0.60; Israel NS3.50; Italy L1700; Japan Y800; Jordan Fils.500; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr50; Malaysia Rin4.25; Malta 40c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L600; UAE Dh7.00; USA $1.00.

OVERSEAS NEWS

China's elders limp back to the TV screen

By Robert Thomson in Peking

AFTER a commercial break last night on China's central television, the country's prime time viewers saw the return to the small screen and the political stage of the Communist Party geriatrics they thought had been pensioned-off long ago.

Twenty-two elderly men, led by Chen Yun, 84, a former politburo elder presumed to be near death in hospital in recent months, agreed that there are schemes and intrigues afoot, and showed their support for another senior communist citizen, Deng Xiaoping, 84.

Five more members of the Central Advisory Commission Standing Committee sent apologies – they couldn't make it for health reasons.

"If it wasn't such a tragedy, it would be a farce," a western diplomat said. "I can't believe that these men think they can go on taking the Chinese people as fools. They can't take much more of this."

Viewers didn't see live footage of the meeting, but were shown still photographs of the fading revolutionaries and given a commentary on the ominous opinions of the committee, which is supposed to take a passive role in politics. However, their unexpected television appearance last night showed that the men who led the country to revolution in 1949 are still trying to run China.

If nothing else, the interruption to scheduled viewing confirmed the demise of the rejuvenation policy for which Deng Xiaoping has been so highly praised, and it confirmed that important policy and personnel changes are still often made over games of bridge among Long March veterans who distrust the new generation of more liberal leaders.

One of the political crimes allegedly committed by Zhao Ziyang, the embattled party chief, is that he told Soviet President Mikhail Gorbachev of an edict that all important policy decisions must be referred to Deng.

Another diplomat said that Zhao's most serious mistake has been to assert his lawful role as party leader and to challenge the old-boy politics practised by Deng and his comrades.

Deng and Chen Yun have had their differences over economic policy, with Chen not as fond of market forces and more of a central planner. Yet, the two share enough political conservatism for Deng to be able to call on Chen's assistance in this time of need.

"This chaos has not come about by itself," the meeting was said to have unanimously agreed. There was a promise of more "Marxist-Leninist education," and then the television coverage was back to a documentary on the dangers of smoking.

A student protestor places a flag on a statue in Tiananmen Square symbolising the military and people working together

Suppression of sullen masses in prospect

By Colina MacDougall

CHINA is bracing itself for the severest crackdown in years on all those who have supported the students in their six weeks of demonstrations for more democracy. With Li Peng, the hard-line Prime Minister, now apparently in full control, the protests seem certain to be firmly suppressed.

Although Li said on Thursday that reform and the open policy would continue, this can hardly happen in any meaningful sense. The mild political reforms of the past ten years – the greater cultural freedoms, for instance, and the more relaxed tone of the press – will probably disappear, at least for some time. The economic reform is already in trouble and has been put on hold since last autumn.

Zhao Ziyang, the reformist party general-secretary, though still officially in his post, is widely believed to be under house arrest and has not been seen since he went to Tiananmen Square on May 19 to meet student demonstrators. Wan Li, Chairman of China's highest legislative body, the National People's Congress and a Zhao supporter, is said to be ill in Shanghai after his return from the US, but is more likely also to be under house arrest.

A huge leadership shakeout is on the way. The Politburo Standing Committee member, Hu Qili, Vice-Premier Tian Jiyun and Defence Minister Qin Jiwei are reported as about to be dismissed. The long-retired conservative leader, Chen Yun, was seen on television at the party's Advisory Commission – which includes other hard-liners such as the elderly Bo Yibo – speaking of a "plot hatched in secret" and of "weakened ideology". These are both pointers to a coming purge and to a reversion to a tough Marxist-Leninist line.

All the country's military regions, with the exception of Peking, and most of the provinces, now stand behind Li Peng, supporting martial law. Peking is ringed with troops.

Most ominously, every unit has been notified that the student movement was an "anti-party and anti-counter-revolutionary struggle" – a strong indication that a witch-hunt may be about to begin. Allied to the remarks by Chen Yun, who said the leadership must "suppress this chaos", the outlook for the more open attitudes of recent years is bleak.

This new hard line may be tougher than anything seen in China since the Cultural Revolution. The upheaval in the leadership is as serious as the coup against the Gang of Four in 1976. The scale of the retribution by the winning side may outdo any of the purges seen hitherto in China.

It is not yet clear whether Li Peng is his own man, or simply a puppet for Deng Xiaoping. He might even be manipulated by the head of state, President Yang Shangkun, who was a senior general and still controls much of the army through relatives.

While the hard-liners are united in their desire to oust Zhao and his allies from power, their grouping contains some odd bedfellows (such as Deng and Chen Yun, who have frequently vied for influence in the past). Even if their coup against Zhao is effective, they are likely to be badly split by old rivalries. Deng's own role in the last few days is none too clear, since for years he was closely associated with Zhao.

Even before the catastrophic events of recent days, the economic reform was already in trouble. Last autumn, to hold down inflation, Li and his economic expert, vice-premier Yao Yilin, froze prices and brought back under control a wide range of items which had been sold freely. Hundreds of projects were scrapped and contracts with foreign businesses cancelled.

Since then, the economy has lurched along with stagflation threatening as output slowed but price rises continued. Most of the evils which the leadership blamed last year for its problems, such as speculation in scarce commodities, have continued unchecked. The measures applied then by Premier Li have been notably unsuccessful. With him in sole charge, the handling of the economy is likely to be still more inept.

In any case, the upheavals of recent days will not be conducive to work. The "struggle" against the "plots" may be waged in every office or factory, if the leadership reverts to the pattern of the past, as now seems to be the plan. Even without that, the workforce is likely to be sullen and resentful since it has shown all over China that it wants the Deng-Li leadership out.

These leaders are probably not about to undo the reforms already in place. But it is inconceivable that they will forge ahead with more. Progress of that sort will have to await another shake in the Chinese kaleidoscope, perhaps when death eventually claims the 84-year-old Deng and the rest of the old guard.

Liberal paper censored

SHANGHAI'S World Economic Herald, one of China's most outspoken and respected proponents of liberal political and economic reforms, has abandoned attempts to publish its weekly editions because of strict censorship imposed by the city's government, writes John Elliott.

Mr Zhu Xing Qing, deputy editor, said yesterday that a censorship committee had objected to articles in editions planned for May 16 and 23.

The censorship started last month after the paper printed a tribute to Mr Hu Yaobang, the deposed former Communist Party general secretary, whose death on April 15 triggered the student unrest.

The paper's veteran editor has been suspended by Mr Jiang Zemin, Shanghai's Communist Party general secretary, and a supporter of Mr Li Peng, the hardline premier.

Shanghai business forum plan postponed

By John Elliott in Shanghai

THE UNREST in China has forced Mr Zhu Rong Ji, the Mayor of Shanghai, to postpone the launch next week of his project to form an international panel of top businessmen which would advise him on the development of joint ventures with foreign companies.

About 15 of the world's best-known company chairmen had agreed to sit on the panel and attend an inaugural ceremony in Shanghai. They included Mr Michael Blumenthal of Unisys from the US, and Sir Eric Sharp of Cable and Wireless and Sir David Alliance of Coates Viyella from the UK.

Mr Zhu Rong Ji, a former economic vice-minister in Peking, was appointed Mayor 18 months ago with the specific task of opening up and modernising Shanghai's economy using foreign loans, investment and joint ventures.

During the recent unrest Shanghai's government has made considerable efforts to keep appointments with visiting foreign businessmen and to stress that its interest in attracting international investors has not diminished. But the Mayor decided to postpone till September or October the launch of the advisory committee because the situation was too uncertain.

He was helped in planning the project by Arthur Andersen, the international accounting and consulting group, which has recently set up a joint venture counselling service in China with China International and Investment Corporation.

N-arms clash will cloud Nato summit

By Robert Mauthner and David White

THE still unresolved quarrel over the future of short-range nuclear weapons in Europe, which is threatening the unity of Nato, will cast a cloud over the alliance's 40th anniversary summit, due to be held in Brussels at the beginning of next week.

With time rapidly running out before President George Bush meets the leaders of his 15 allies for the first time at a formal Nato gathering since his election, prospects for a compromise on the nuclear issue ahead of the meeting faded rapidly.

Most of the summit is therefore likely to be devoted to the search for a solution that would meet both the demands of West Germany for negotiations with the Soviet Union on cutting short-range nuclear forces (SNF) and the insistence of the US and Britain that such weapons are essential to Nato's strategy and must not be abolished.

The original intention was for the leaders to spend most of their time discussing Nato's future military and political strategy in light of the much-improved climate in East-West relations since Mr Mikhail Gorbachev came to power in 1985.

But, unless the 16 leaders overcome their differences over nuclear arms, it will not be possible for them to adopt, as planned, the so-called "comprehensive concept," which would set out Nato's future arms control priorities and policies.

The Washington Times reported yesterday that President Bush planned to use the summit as a platform for announcing cuts of up to 10 per cent in US troop strengths in Europe. That could mean more than 34,000 troops out of a total of some 340,000.

The report has not been officially confirmed or denied, but the fact that White House officials declined all immediate comment has caused some anxiety among the US's allies.

Such a gesture, if it were made, would be intended as a response to Mr Gorbachev's unilateral troop and arms cuts. But some European members of Nato could see it as the thin end of the wedge opening the way to an eventual US military disengagement from Europe.

Although the US and West Germany have recently appeared to be moving towards a compromise on SNF, which would establish a link between progress in the Vienna-based conventional forces talks and the opening of talks on short-range nuclear weapons, there is still disagreement over the exact definition of the link.

The US, Britain and France all want the conventional arms talks to show tangible results before embarking on what they see as a possible diversion that would take the pressure off Moscow to agree to far-reaching cuts in the Warsaw Pact's conventional ground forces.

They also want Nato firmly to reject any idea of a "third zero" - the total elimination of a whole category of nuclear weapons in addition to the two kinds of missiles abolished under the 1987 INF treaty. Britain, in particular, has strongly underlined the risks of a de-nuclearisation of Europe. But West Germany has sought to qualify the compromise formula, ruling out a third zero only "in present circumstances."

Mr Hans-Dietrich Genscher, the West German Foreign Minister, in a strongly worded newspaper commentary yesterday, said the West should not shrink from talks on SNF with the Soviet Union. The West could end Soviet superiority in short-range nuclear weapons only through negotiations, he stressed.

Haughey hot favourite for June 15 general election

By Kieran Cooke in Dublin

IRELAND yesterday headed into its fifth election campaign since 1981, with Mr Charles Haughey, the Prime Minister, hot favourite to emerge victorious on June 15.

Mr Haughey called the election on Thursday night. "The election is necessary because the Government has to be in a secure position to grapple with the country's economic and financial problems," he said.

Those problems are substantial and will provide opposition ammunition during the campaign. Unemployment, at more than 17 per cent, is among the highest in the European Community. Emigration, looked on as a barometer of the nation's economic health, has risen dramatically over the last three years and about 40,000 people, mostly young, are expected to leave the republic in 1989.

Social agencies warn that there is a growing poverty problem. Many sectors of the social services, in particular that of health, are in serious difficulties due to a lack of funds. Roads, especially rural ones, need urgent attention.

Yet Mr Haughey is confident. He is basing his election campaign firmly on his Government's economic record. Mr Haughey says that, when his Fianna Fail party was voted into office in early 1987, the country was close to bankruptcy.

Now, the premier says, the national debt, at more than I£24bn (£20.1bn), has been stabilised, public borrowing has been substantially reduced, inflation has been cut to just over 3 per cent, interest rates have been kept well down and, for the first time in many years, there is a general feeling of economic confidence.

Despite a stringent programme of public expenditure cuts, it appears that a substantial portion of the Irish electorate supports Mr Haughey's policies. Opinion polls indicate that his popularity has never been higher and Fianna Fail is riding high with more than 50 per cent support. One Dublin bookmaker yesterday described the election as a "one-horse race".

For all that, Mr Haughey has ridden the political roller-coaster for more years than most and knows that much could happen between now and election day. Despite the favourable political portents, he has procrastinated and prevaricated for nearly a month over this election. In four previous races as Fianna Fail leader, he has failed to win a majority in parliament.

Fianna Fail has governed as a minority administration for the last two years, having 80 seats out of 166. Fine Gael has 50, the Progressive Democrats 14, Labour 11, and the Workers' Party and independents four each.

● Mr Austin Currie, a former member of Northern Ireland's power-sharing Executive, caused a major political surprise yesterday when he announced his candidacy in the Republic's general election, Our Belfast Correspondent writes.

Mr Currie, an SDLP member, is to contest the Dublin West for Fine Gael.

Mr John Hume, SDLP leader, said Mr Currie had taken a personal decision. The SDLP has a longstanding policy of not getting involved in the politics of the Republic.

Mr Peter White, Fine Gael's director of publicity, said they were delighted that Mr Currie was joining their ranks. Mr John Cushnahan, the former leader of the moderate Alliance Party in Northern Ireland, is standing for Fine Gael in the European election in Munster.

Barclays' S Korean dispute to escalate

By Maggie Ford in Seoul

THE BITTER dispute between the Barclays Bank branch in South Korea and its striking staff union is on the brink of a sharp escalation.

The union has announced that it will hold a public demonstration next week. A strike fund has already been established by the federated union representing all foreign bank staff in the country.

The rhetoric in the dispute has also become markedly more bitter. The union has accused the local Barclays management of "a colonialist policy of racial discrimination" and of deliberately trying to weaken the union.

Mr Allan Timblick, the local Barclays manager, has denied all these allegations, insisting that the bank is not anti-union and wants to proceed with negotiations on the pay claim, on which no progress has been made in meetings this month.

The union has been on strike since the beginning of May in pursuit of a pay rise of 41.6 per cent plus fringe benefits. Management has offered a rise of 29.5 per cent plus a lower level of benefits.

Most other foreign banks in Seoul have settled without strikes for average pay rises ranging between 31 and 38 per cent plus fringes. The high figures result from an anomaly under which staff in the local financial community have received major rises in benefits over the past two years, mainly through employee share schemes in the booming Seoul stock market, an option not open to foreign banks.

● South Korea recorded a growth rate of 5.7 per cent in the first quarter, the central bank reported, down from 15.2 per cent in the first quarter last year, reflecting a shift in labour disputes from the second quarter last year to the first three months of this year.

Jack Welch: office links

GE deal for world-wide phone link

By James Buchan in New York

GENERAL Electric, the US industrial group whose interests range from aircraft engines to home appliances, is hiring three telecommunications groups to instal a sophisticated telephone network to link its offices world-wide.

The deal, probably to be signed on Tuesday, will link GE's businesses and joint ventures in a network able to transmit data, voice signals and video images. Industry officials say it will probably be the largest and most sophisticated private network outside of the US Federal government.

American Telephone and Telegraph, the US telecommunications group, British Telecom of the UK, and France Telecom will instal and manage the system on a contract likely to run at first for five years.

Industry experts say the deal could well be worth over $100m. GE spokesmen would not comment yesterday, but said the company would hold a press conference on Tuesday.

GE derives about 20 per cent of its $50bn (£29bn) in sales revenues from overseas markets for aircraft engines, medical and power generation equipment and plastics. Earlier this year, Mr Jack Welch, GE chairman, signed joint ventures with GEC of the UK as a springboard into European markets for electrical parts, gas turbines, medical equipment and home appliances.

New economy minister named in Argentina

By Gary Mead in Buenos Aires

PRESIDENT Raúl Alfonsín yesterday announced a new cabinet, in which Mr Jesus Rodriguez takes the Economy Ministry, displacing Mr Juan Carlos Pugliese, who goes to the Interior Ministry.

At 33 – 41 years younger than his predecessor – Mr Rodriguez will be Argentina's youngest Economy Minister.

Other new appointees include Ms Susana Ruiz Cerutti, the first woman ever in an Argentine cabinet, taking over the Foreign Ministry from Mr Dante Caputo.

Mr Rodriguez is to announce this weekend an economic plan directed at controlling hyper-inflation, which is projected to break in May the national record for one month, at more than 70 per cent.

He is close to a former Alfonsín economy minister, Mr Juan Sourrouille, having been taught by the latter at university.

There is a strong suggestion that Mr Sourrouille – who resigned at the end of March – has been closely involved in the formulation of the new plan, which is likely to impose import quotas, higher export duties and tighter foreign exchange controls.

Rise in saving halts US import growth

By Anthony Harris in Washington

CONTINUED high personal saving and restrained consumer spending have halted US import growth in real terms during the early months of 1989, according to figures issued in Washington today.

They show saving has been at an average annual rate of $210bn in the first four months of this year, 46 per cent above the 1988 average, and that the volume of consumer spending has risen only 0.1 per cent in the last three months.

Imports in the first quarter fell by 1 per cent in volume, but rose by $400m in value because of higher oil prices. The volume fall was led by a 3 per cent ($700m) drop in shipments of consumer goods.

Exports in the same period rose by 5 per cent in value and 4 per cent in volume. There was a 10 per cent recovery in agricultural exports, depressed last year by the drought, and a 3 per cent rise in other categories, led by industrial supplies and capital goods other than aircraft and computers.

Consumer spending showed some recovery in April, largely because of price cutting and cheap credit in the motor industry, which has been trying to clear abnormally high inventories. In money terms spending rose by 1.1 per cent, after rises of 0.3 and 0.4 per cent in the previous two months. Adjusted for inflation, the April rise was only 0.2 per cent after a 0.4 per cent fall in March.

The continued high rate of consumer price inflation, 0.7 per cent in each of the last two months, helps to explain the continued monetary restraint being enforced by the Federal Reserve. The Fed's policies came under some criticism on Thursday following the release of lower-than-expected figures for first quarter US economic growth, which showed an annual growth rate of only 1.8 per cent apart from the recovering farm sector; but administration spokesmen refused to be provoked into comment.

Personal income in money terms was unchanged in April, after rising by about 1 per cent monthly in earlier months. The figures are made volatile by the timing of farm subsidy and drought relief payments and the timing of profit-sharing payments.

Fourteen to hang in S Africa

Thirteen South African men and one woman were condemned to death for a politically motivated murder in a case reminiscent of the "Sharpeville Six" trial which drew worldwide protests, Reuter reports from Upington, South Africa.

They form the biggest single group sentenced to hang for a political crime in modern South African history, and are among 25 people convicted for killing a black policeman in Paballello township near Upington at the height of a national black uprising in 1985.

Like the Sharpeville Six, many of the 25 were convicted not of actually killing the victim but of sharing a "common purpose" with a crowd of about 120 which did.

French expansion

The French economy continued to grow at a rapid rate during the first quarter of this year, despite earlier predictions of a slow-down, according to the National Statistical Institute, writes Ian Davidson in Paris.

At the same time, however, French unemployment rose in April, the first increase in the level since the start of the year, and an apparent reversal of the improving trend which has broadly been under way since last summer.

In seasonally corrected figures, the unemployed total rose in April from 2,521,000 to 2,534,000, an increase of 0.2 per cent in a year.

In the first three months of this year, France's economic growth rate accelerated to 1.2 per cent, compared with 0.6 per cent in the final quarter of last year. Exports expanded by 5.9 per cent, while imports grew by no more than 1.6 per cent. Growth of GDP during the whole of 1988 is now estimated to have been 3.8 per cent.

Danes plan tax cut

The Danish government plans to meet the challenge of 1992 by cutting the corporate income tax rate from 50 to 35 per cent and the top rate of personal income tax from 68 to 52 per cent, writes Hilary Barnes in Copenhagen. The proposed reductions will take place over a four-year period starting in 1990 and will be financed by a broadening of the economic base.

Arab summit ends on a sour note

By Victor Mallet in London and Lara Marlowe in Beirut

ARAB leaders failed to agree on a firm initiative to solve the Lebanese crisis at their Casablanca summit this week and abandoned efforts to rid Lebanon of Syrian and Israeli troops.

Instead they decided at the end of their meeting yesterday to form another group of dignitaries to search for a way out of the Lebanese impasse. They also endorsed the diplomatic tactics of the Palestine Liberation Organisation.

The "emergency" summit, originally convened by King Hassan of Morocco to rally support for the Palestinians and allow for the readmission of Egypt to the Arab League, soon became bogged down over Lebanon. Syria and Iraq exchanged insults behind closed doors as the meeting dragged on for four days instead of the scheduled two.

In a sense the summit was a triumph of Syrian obstinacy over Iraqi intransigence.

The other heads of state chose the path of least resistance, deciding not to press ahead with a plan for an Arab peacekeeping force to replace the Syrians. Some 35,000 Syrian troops support the Moslem side in the Lebanese civil war, while Iraq supplies weapons to the Christians.

King Hassan, President Chadli Bendjedid of Algeria and King Fahd of Saudi Arabia have been named to supplement the efforts of a six-nation Arab League committee of foreign ministers on Lebanon.

As predicted before the summit, Syria – in return for the lack of decisive Arab action on Lebanon – voiced only muted opposition to the diplomatic offensive being pursued by Mr Yassir Arafat, the leader of the Palestine Liberation Organisation who has recognised Israel's right to exist and renounced terrorism.

A complete breakdown of the summit was avoided, although a displeased President Saddam Hussein of Iraq left yesterday morning before the final session. His Foreign Minister, Mr Tariq Aziz, claimed there was a gentlemen's agreement that Syrian troops should withdraw from Lebanon.

An open collapse would have been particularly embarrassing for the King of Morocco, whose media have repeatedly hailed the gathering as a triumph for diplomacy, reconciliation and Arab unity.

Egypt returned with quiet satisfaction to the League after 10 years of isolation over its peace treaty with Israel in 1979. President Hosni Mubarak initially pushed – together with Iraq and Jordan – for a Syrian withdrawal from Lebanon. But the Egyptians and the Gulf states eventually thought better of alienating Syria.

The outcome of the summit, attended by 18 heads of state, was greeted with gloom by Iraq's allies and by many Lebanese, even if rumours of an imminent Syrian invasion of Christian areas – widely circulated in Israel – seemed to be unfounded. Journalists who travelled to the Lebanese hilltop village of Hamana found no evidence of a reported Syrian tank build-up.

Only minor violations of the "land ceasefire" arranged by the Arab League committee on May 11 have occurred over the past two days in Beirut. Security in the Moslem west of the city, however, has deteriorated and sporadic shelling by the Syrians of Christian coastal waters continues.

In the most serious violations of the truce so far, Syrian soldiers and Christian Lebanese forces fired on one another Thursday and yesterday, leading to brief closures of the crossing point.

Three people, including two Syrian soldiers, have been killed and seven were wounded in separate confrontations between Hizbollah members and Syrian soldiers in Shia Moslem areas of west Beirut.

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OVERSEAS NEWS

FT Correspondents assess reaction around the world to the Super 301 measures aimed at forcing open foreign markets to US goods

US action is regrettable, says Tokyo

By Ian Rodger in Tokyo

JAPANESE government and business leaders reacted angrily yesterday to the US Government decision to identify Japan as a priority country for negotiations under the provisions of the Super 301 clause of last year's trade act.

But there was no hint of any plan for retaliation, apart from a possible challenge of the 301 provisions at the General Agreement on Tariffs and Trade.

Mr Sosuke Uno, Foreign Minister, summoned the new US ambassador to Tokyo, Mr Michael Armacost, to tell him the unilateral decision was "extremely regrettable". He said Japan had been making great efforts to open its markets.

Mr Uno accused the US Administration of trying to divert attention from the contribution of its own fiscal deficit to US trade problems.

He pointed out that the US "maintains import restrictive measures and practices to a considerable degree", implying that it was poorly placed to be accusing others unilaterally.

Both he and Mr Hiroshi Mitsuzuka, Minister of International Trade and Industry, worried that the US moves would have a negative impact on the Uruguay Round of multilateral trade negotiations under the Gatt.

"I sincerely hope that the US will not take measures inconsistent with the Gatt," Mr Uno said, while Mr Mitsuzuka threatened to contest the 301 provisions in Gatt.

Japanese officials were particularly incensed that their country should be put together with only two other countries, India and Brazil, for investigation of unfair trade practices.

"Who in the world would have thought of Japan alongside India and Brazil?", one official said. In particular, they wonder why the European Community and South Korea were not cited.

They were also bemused by the three sectors selected as cases in which Japan was trading unfairly – supercomputers, satellites and forest products.

They suspected that the sectors were largely symbolic since they did not account for a large part of bilateral trade.

They thought supercomputer and satellite issues reflected

JAPAN

US apprehension over Japan's competitiveness in high technology industries, while the forest product sector was a way of keeping the pressure on Japan's protected agriculture industry.

On government procurement of supercomputers, which is alleged to discriminate against imports, the Government said that seven of its 37 supercomputers were US-made, and it hoped that US bidders would participate in current plans for purchasing eight more.

It did not respond to the US complaint that the 80 per cent discount demanded by the government of local manufacturers constitutes a discriminatory trade barrier.

On excluding imports from public sector procurement of satellites, the government claimed that space development was a basic policy and so it was promoting indigenous technology. "Does any European Commission agency buy US satellites?" an official asked.

On forest products, the government argued that its tariff classifications were in line with international conventions and its construction and fire-prevention codes had been streamlined in response to advances in technology. However, it was open to discuss these points.

Mr Tsutomu Hata, Minister of Agriculture, said the government should refuse to accept bilateral talks with the US since Japan's forest-product imports from the US last year were double the 1986 level.

Business leaders, too, were angered by the 301 attack. Mr Eishiro Saito, chairman of the powerful Keidanren federation of economic organisations, said the US should have given more consideration to the causes of its trade imbalance before designating Japan an unfair trader.

Mr Osamu Uno, chairman of the Kansai Economic Federation, said it was unreasonable unilaterally to define a specific foreign country and its trade practices as unfair under a domestic law.

Government and business leaders urged the US to carry on trying to solve trade problems "through quiet talks and joint co-operation", as Mr Uno put it.

Delors: meeting with Bush

Brussels in special 'watch list' protest

By David Buchan in Brussels

EUROPEAN COMMUNITY

THE European Commission yesterday protested at the US decision to put four EC states on a special watch list for possible future retaliation against alleged protectionism in the intellectual property area.

Brussels officials noted with relief that neither the Community nor any individual EC states had been singled as priority targets for US trade action under the Super 301 provisions of the 1988 Trade Act, relating to allegations of general protectionism, or under the Special 301 provision that relates to intellectual property trade issues.

But the Commission strongly reiterated its view yesterday that the US should seek satisfaction for its trade demands in the multilateral Gatt negotiations, and not by means of unilateral threats.

The issue may surface when President Bush holds talks with Mr Jacques Delors, the Commission president, next Tuesday in Brussels. Mr Robert Mosbacher, the US Commerce Secretary, is also due for talks here next week.

Italy, Greece, Spain and Portugal were the four EC countries placed on the Super 301 watch list, which provides for possible future US action if the US finds that such countries are either not protecting US patents and copyright adequately or are closing markets to US businesses that rely on intellectual property protection.

The Commission made clear it had no intention of launching its own investigation to see whether there was any foundation to the US allegations against the four EC states.

Strict import controls were prime target

By Ivo Dawnay in Brasilia

US trade policy towards Brazil over recent years has seemed a bit like a converse of Teddy Roosevelt's celebrated axiom: "Speak softly, and carry a big stick."

For despite predictable, nationalistic and often disproportionate howls of anger from the Brazilians each time the two countries have clashed, most anticipated explosions have ended as whimpers.

To free trade purists, Brazil, with a half-century history of import substitution policies and an import bill valued at less than 5 per cent of gross domestic product, was a prime target for Super 301 treatment.

On its clumsily-titled Trade Estimate Report – issued by the stern schoolmasters of Washington – black stars attach to almost all the country's trade practices.

BRAZIL

Among the recorded sins are:
- High tariffs averaging 37.4 per cent, with a top rate at 85 per cent.
- A rigid, slow and frequently arbitrary system of import licensing.
- Lists of prohibited imports.
- Quantitive restrictions and import quotas.

Under the Super 301 measures, Brazil was cited for its import licensing policies which the US said kept out its goods, and for its restrictions on US insurance companies.

The greatest source of tension in recent years has been in the computer hardware and software sectors and over pharmaceutical patents. On computers, Brazil's notorious *Lei Informatica* has halted all foreign entry to the microcomputer market, enabling it to build a $2bn industry.

After a previous trade action, inspired by Microsoft, the software company, Washington succeeded in 1987 in prising enough concessions from Brasilia, including appeals procedures and other impediments to arbitrary decision-making, to suspend its threat of retaliation.

Ironically today, it is Brazilian industry – often backed by President Jose Sarney's government – that complains most vigorously about the consequences of Congress's infant industry argument, which results in businesses being forced to buy outdated technology at three times the world market price.

Pharmaceutical patents have proved more complicated.

Brazil believes that as a Third World country with acute health and foreign exchange problems it had every right to continue its long standing practice of using drug formulas and production processes without making payments abroad.

No mechanism for redress exists. Consequently, an action brought by the powerful US Pharmaceuticals Manufacturers' Association last year led to retaliation in the form of 100 per cent punitive tariffs against a total of $39m in Brazilian exports.

The issue is now bogged down in the machinery of the General Agreement on Tariffs and Trade where a panel is shortly to debate whether the US action conflicts with its undertakings under the Uruguay Round for a standstill and rollback of existing trade restraints.

After this week's announcement, Washington will undoubtedly hear a lot of unhappy speeches from Brasilia about latter-day imperialism and violations of national sovereignty.

But the question now is whether threats against an impotent government on the eve of its first presidential elections for nearly 30 years genuinely serve US interests.

Some may argue that they would only fortify an already vigorous anti-American zest. "This is not just about 'feel good' politics," said one understandably anonymous US diplomat this week. "It's also about changing the practices complained of. I have grave doubts that this is the right way to go about it."

Indignation from New Delhi at "irrational" measure

By K.K. Sharma in New Delhi

INDIA yesterday reacted with anger and indignation at the US decision to name it for action under the Super 301 clause of the Trade Act and its Commerce Minister, Mr Dinesh Singh, called it "totally unjustified, irrational and unfair".

The move is bound to lead to a deterioration of relations between the countries at a time when they are already under strain because of differences over a series of related issues like patents and intellectual property rights.

Although the US has recently shown more understanding of what India considers to be its role in South Asia and the Indian Ocean region, strains reappeared this week, when India successfully tested

INDIA

its first long-range guided missile, attracting adverse comment in the US. Some officials have linked the US action to the missile test.

The Indians have been holding negotiations on all aspects of the US Trade Act, including intellectual property rights and the Super 301 clause, and are dismayed that the US has named it for priority action even though India has made some concessions, particularly on not blocking discussions on patents.

What is particularly annoying to India is the fact that its leaders have initiated a policy of liberalisation of the economy that in recent years has lifted many investment controls and restrictions. Although this process has slowed over the last couple of years for political reasons, ample indications were given to the US that the liberalisation policies would be reinforced, particularly on the question of foreign investment.

In a sharply-worded statement issued soon after the US informed India of the decision to demand changes in its foreign investment policies within 18 months or risk trade sanctions, India's Commerce Minister said the US action was particularly surprising because it had itself "built and retained a variety of barriers against access to its markets".

The US, said Mr Singh, is "hardly in a position to ask others to lift barriers without doing so itself". He indicated that India would take the issue to Gatt, regretting that the US Government had decided to take unilateral action, "undercutting" the multilateral process, at a time when comprehensive multilateral negotiations were being held.

The Indian practices which have been named are trade related investment measures (Trips), that is, control of investment – particularly performance requirements – relating to domestic content and export obligation.

The US decision has come as a surprise to Indian officials who have been negotiating with their Washington counterparts and lobbying hard against being named for action under Super 301. In addition to diplomatic exchanges, a number of delegations of businessmen and officials have recently visited Washington. They had been given the impression that the US would not name India and that further negotiations on the issues involved would be held.

The Indian government takes the position that it cannot submit itself to action under laws adopted by the US and it has the right to follow whatever polices it considers to be in its interests. All foreign trade and investment, it feels, should be within the multilateral process.

Japanese discount rate to rise

By Stefan Wagstyl in Tokyo

THE Bank of Japan, which has been battling to secure an increase in the official discount rate in the face of opposition from other Japanese government agencies, appears to have won the day after weeks of intense debate.

The bank announced yesterday that it will raise the official discount rate next week for the first time in nine years in response to increases in official rates abroad and fears of a resurgence in inflation at home.

The central bank will lift the rate by 0.75 percentage points to 3.25 per cent at a policy board meeting on Tuesday.

The bank has clinched the argument following the publication of figures yesterday which showed sharper-than-expected increases in consumer prices in April and in May. These came at the end of a week in which fears of a resurgence of inflation had already been exacerbated by a sharp decline in the international value of the yen.

Central bank officials declined to comment directly on the possibility of a rise in the official discount rate from its all-time low. However last night they indicated to Japanese newspapers and television stations that rates would be raised.

The prices data published yesterday showed that in April, consumer prices rose by 2.4 per cent from a year earlier, the highest monthly increase in 12 years. The increase is not as significant as it seems because it is boosted by the introduction of a 3 per cent consumption tax in April. But both the central bank and private sector economists detected signs of underlying increases in prices.

These concerns were reinforced by consumer price figures for Tokyo for May, also published yesterday, which showed that prices in the capital have risen this month by 3.3 per cent year-on-year, following a 2.7 per cent rise in April.

In addition, the central bank has been concerned by the rise in oil prices since last year and the risk that the decline in the yen will promote inflation by raising import costs, since 80 per cent of Japanese imports are dollar-denominated.

A 0.75 percentage point increase in the official discount rate is unlikely to come as a shock to the financial markets. Mr Soichi Enkyo, head of national economic analysis at the Bank of Tokyo, said: "The market will not be disturbed by this news".

The markets have been well prepared by an increasingly public and acrimonious debate between various government agencies. The central bank has favoured an increase since the early spring because of concern about inflation.

But it has been opposed by the Economic Planning Agency and the Ministry for International Trade and Industry, which are afraid a rate rise might slow down the economy

The Finance Ministry has been caught in the middle – its domestic wing has been inclined to take the central bank's view, but its international division has argued against any action which might precipitate rises in other countries. The last argument has been gravely weakened by the yen's recent fall

- Industrial production fell by 2.6 per cent from March, according to figures announced yesterday. This followed an unusually sharp rise in that month as companies placed orders in advance of the start of consumption tax on April 1.

External assets at record levels

By Stefan Wagstyl

JAPAN'S net external assets grew by 21 per cent last year to a record $291.7bn (£171bn), due to increases in official foreign exchange reserves, private investment in foreign bonds and loans to developing countries.

The Japanese finance ministry said yesterday Japan's overseas assets were the world's largest for the fourth year running.

Assets grew 37 per cent to $1,469bn and liabilities by 41.7 per cent to $1,178bn. Both figures were the largest ever.

Direct investments abroad, chiefly in property, industry and commerce, leapt by 43.8 per cent to $110.7bn. Investments in foreign securities were up 26 per cent to $427bn and foreigners' investments in Japanese securities were 53.4 per cent higher at $254.8bn.

Recruit scandal fells Sumitomo bank chief

By Stefan Wagstyl

THE Recruit scandal claimed a new victim yesterday with the resignation of Mr Osamu Sakurai, president of Sumitomo Trust and Banking.

Mr Sakurai was named last year in a list of influential people who received cut-price shares in Recruit Cosmos, an affiliate of Recruit, the company at the centre of the scandal. He said earlier this year he would stay in office until his term expired in summer next year. In January he gave away the profits from his 10,000 Recruit Cosmos shares, estimated at Y20m (£90,000), to charity.

But he seems to have changed his mind in response to public criticism as well as the widening impact of the affair.

Yesterday Sumitomo Trust said the Recruit scandal had been "one of the factors in deciding the timing of Mr Sakurai's resignation". The other was a need to rejuvenate management ahead of changes in the industry.

Mr Sakurai said it had been thoughtless to receive Recruit shares, but the deal was not related to his responsibilities at Sumitomo.

- Mr Toichiro Hitotsuyanagi, president of Asahi Newspapers, resigned yesterday to take responsibility for an incident in which a photographer damaged a rare coral reef.

The photographer visited the reef off Okinawa, returning with a photograph of the coral with initials carved into it. The picture caused a storm. The photographer had carved the letters himself.

Abbey members may get fewer shares on flotation

By David Barchard

ABBEY NATIONAL Building Society members may receive a smaller than expected handout of free shares during its stockmarket flotation this summer because of the downturn in the housing market.

With just under seven weeks to go until its flotation, Abbey National appears to be forced to chose between raising less new capital than it planned or cutting the value of the free shares it will give its members at the float.

Abbey National has said that it will give its 5.6m members 100 free shares each at an nominal price of between 120p and 160p each. It will also issue an undisclosed number of new shares to which only members will be able to subscribe.

The new shares have been generally expected to bring the society around £1bn in new capital. However profit forecasts for Abbey National have since dropped sharply.

The value the market will put on Abbey National now looks certain to be substantially below what it was when details of the flotation were announced. To raise £1bn of new capital under these conditions, Abbey may have to issue shares near to the bottom price of 120p.

If it does this, however, it could risk a backlash from its disappointed members with some withdrawing their deposits.

The alternative is to maintain a higher share price but to issue fewer shares. This might oblige Abbey National to return to the markets before making any large acquisitions.

Market conditions are so uncertain that senior executives in the building society industry are privately asking if Abbey National may not be tempted to delay the float until the return of more favourable conditions later in the year.

A spokesman for the society yesterday firmly denied that there was any question of altering the arrangements for the flotation.

"Things will go ahead as planned," he said.

Mr John Wriglesworth, building societies analyst at Phillips & Drew, predicts that the society's core business will stand still in 1989, while some of its new subsidiaries may incur heavy losses. Losses of up to £25m are being forecast for its estate agency operation alone.

Gould urges BAe sale inquiry

By Richard Donkin and David White

BRITISH Aerospace dismissed as "speculation" a report that it stands to gain £200m from the development of two Royal Ordnance sites, after buying the whole company for £190m in a privatisation deal.

The report of an imminent announcement of plans for the sites at Enfield, north London, and Waltham Abbey, Essex, led to renewed Labour claims that the Government sold off valuable public assets on the cheap.

Mr Bryan Gould, the shadow trade and industry spokesman, urged Mr Robert Sheldon, chairman of the Commons Public Accounts Committee, to hold an investigation into the sale of the sites, which he said were valued at £3.5m in the deal two years ago.

Last year a PAC report criticised the Ministry of Defence for having undervalued the sites when BAe bought Royal Ordnance in April, 1987.

BAe yesterday sought to stifle political controversy by refusing comment further.

Mr Gould also asked for an inquiry to cover the British Aerospace £150m purchase of the Rover Group after City analysts estimated that the investment would be recouped in full when BAe sold off its stake in DAF, the Anglo-Dutch truck maker, in a stock market flotation next month.

Mr Gould, who described the profits as "the sleazy side of privatisation," said: "Workers at other BAe sites should beware. If it is more profitable to close sites, stop production, and sell the land it is clear that British Aerospace will not hesitate to go for the quick buck.

"What is particularly galling in this case is the fact that it is being done at the taxpayers' expense."

Confirmation of the sale, expected next week, will reinforce a commitment by the PAC to explore the reasons for the failure by the Ministry of Defence to fully examine the redevelopment potential for the sites at Waltham Abbey and Enfield.

The committee recommended in November that any feasible planning permissions likely to increase property values should be obtained before offers were invited in any similar future sales.

Press faces 'threat of legislation'

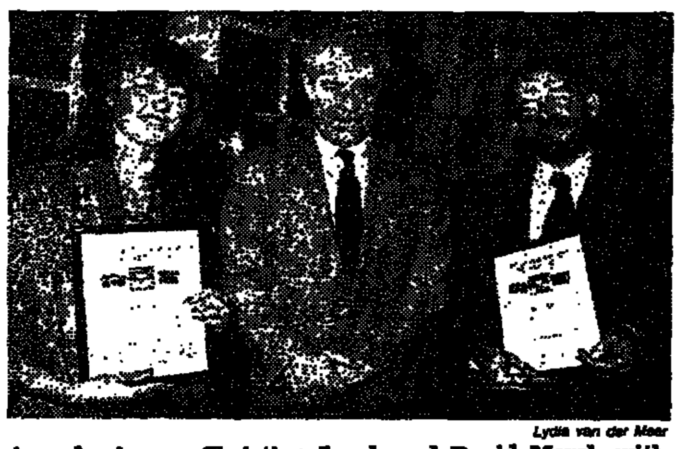
THE CHAIRMAN of the Press Council, Mr Louis Blom-Cooper QC, warned journalists yesterday that the public was serving notice that legislation would be imposed on the press as a whole to curb the excesses of a few unless some segments of the industry adopted a more responsible attitude.

Speaking at the British Press Awards lunch at the Savoy, Mr Blom-Cooper said this week's award of £600,000 libel damages to Mrs Sonia Sutcliffe, wife of the Yorkshire Ripper, against Private Eye, represented a sharp rebuke to the press. The jury were undoubtedly awarding punitive damages, as well as compensation, to Mrs Sutcliffe.

The failure of both the Right of Reply Bill and the Protection of Privacy Bill to obtain a third reading in the House of Commons had merely provided a breathing space. Statutory intervention was very much on the political agenda for the future.

"In the meantime, politicians and parliamentarians are looking to the Press Council as the newspaper industry's way of advancing the standards of journalism," he said.

The Press must be seen positively to be supporting the Press Council in every way. Its own review of its role was progressing quickly.



Lydia van der Meer

Award winners Christina Lamb and David Marsh with Sir Geoffrey Owen, editor of the Financial Times

Awards for FT journalists

MR DAVID Marsh, Bonn correspondent of the Financial Times, won the David Holden award for correspondents based abroad in the British Press Awards, announced yesterday. Ms Christina Lamb was named young journalist of the year for her reporting on Afghanistan for the FT.

Mr Phillip Knightley of the Sunday Times was journalist of the year for an interview with spy Kim Philby.

Lord Deedes of the Daily Telegraph was columnist of the year. Reporter of the year was Mr Ian Jack of the Observer for his coverage of the Gibraltar IRA killings. Mr Jon Swain of the Sunday Times was international reporter.

Other winners included Dr Roger Highfield, Daily Telegraph science correspondent, (specialist writer); Mr Brian James, The Times, (feature writer); Mr Michael Watkins, The Times, (Arthur Sandles award for travel writing), Mr Brian Sewell, Evening Standard, (critic).

The title of campaigning journalist of the year went to a team from the Liverpool Echo, Mr Peter Trollope and Mr Andrew Byrne, for research into real estate, local corruption and the local NHS. Mr Tony Harney and Ms Angela Barnes of the Yorkshire Evening Post shared the title of provincial journalist of the year.

The awards were handed out yesterday by Mr Louis Blom Cooper QC, chairman of the Press Council, at a lunch at the Savoy Hotel, London.

Pit which may blacken the heart of England

Richard Tomkins looks at the inquiry into proposed superpit at Hawkhurst Moor

SHOULD the biggest coal mine in Europe be sunk in the oasis of countryside that forms the traditional heart of England?

The public inquiry into British Coal's proposal ended this week with both sides predicting famous victories. After 51 days of evidence the arguments look as finely balanced as ever.

British Coal wants to build the so-called superpit at Hawkhurst Moor, a piece of farmland lying in the thin wedge of Warwickshire countryside that separates Birmingham and Coventry.

The mine would take 10 years to build and open early next century. It would then produce 4.2m tonnes of coal a year for about 40 years and provide direct employment for 1,800 people.

It would also be a considerable blot on a particularly pleasant landscape. A few hundred yards away from the site lies the tiny 8th century village of Berkswell, and less than two miles further the larger village of Meriden – according to legend the geographical centre of England.

The Federation of Colliery Opposition Groups, a well-organised and articulate alliance of parish councils, residents' associations and other community groups, argues that the green belt between Birmingham and Coventry has already suffered too many encroachments and the superpit would virtually annihilate it.

British Coal says most of the works would be underground and the only visual intrusion on the landscape would be the pit's two 60-metre winding towers. Traffic, noise and dust would be strictly controlled.

But it has had to acknowledge that its dust suppression system is untried and that noise cannot be eradicated. It also concedes that subsidence is inevitable, with possible consequences for industry and housing in Coventry as well as villages nearby.

Dr Peter Lee, chairman of the Federation of Colliery Opposition Groups, believes British Coal failed during the inquiry to prove that the need for the pit was so overwhelming that it outweighed the environmental impact.

Britain's coal consumption is in long-term decline, he says, and privatisation of the electricity industry will pave the way for cheap foreign imports to take an increasing share of the market. Better exploitation of existing pits could fill the remaining gap.

"You also have to take into account wider environmental concerns about the burning of fossil fuels," he says. "With increasing awareness of the threat posed by the greenhouse effect, I would have thought an investment in coal for the next century was a fairly dodgy proposition."

British Coal, however, does not accept that it has to prove an overwhelming national need for the pit. It says simply that Hawkhurst Moor will provide good quality, low-cost coal for which there is a ready market, and it should be allowed to extract it unless there are overriding reasons to the contrary.

"We don't do anything else except mine coal, and if we can't do that, then we don't have any function," it says.

Older pits are becoming worked out and too expensive to be economical, it says, whereas Hawkhurst Moor's coal could compete with foreign imports. Other prospects are under appraisal but, for now, Hawkhurst Moor is the best British Coal has.

Mr Anthony Machin, the inspector conducting the inquiry, will embark on 15 site visits in June and July, looking at comparable collieries and visiting places that could be affected by the superpit – the adjacent Massey-Ferguson tractor factory in Coventry, for example, and nearby Kenilworth Castle.

After that he will have about six months to submit his recommendations to Mr Nicholas Ridley, the Environment Secretary. It is then that the political considerations will arise.

Pessimists among the pit's opponents suggest that the whole of the inquiry process has been mere window-dressing for what is already a foregone conclusion. In the run-up to British Coal's eventual privatisation, they say, approval of the pit is inevitable as a means of boosting British Coal's potential profitability.

Yet Mrs Thatcher's recent sensitivity to environmental issues could suggest a sympathetic hearing for suggestions that fossil fuel burning will decline as fears about the greenhouse effect grow – particularly against a background of British Coal's poor record for forecasting demand.

Pit protesters have a precedent in their successful opposition to the planned superpit in the Vale of Belvoir, where the Environment Secretary overturned an inspector's recommendations and allowed only one of three pits to be built.

Whatever the outcome, it may be a long time coming. It is not unusual for controversial cases such as this to take a year or two to work their way through the Environment Department. That would likely take the decision dangerously close to the next general election – an event which the Government would probably want out of the way before deciding whether to enrage the voters of Warwickshire.

Lydia van der Meer

Berkswell, the 8th century village where British Coal wants to sink a pit

HLD's bid preferred for BS yard

By James Buxton, Scottish Correspondent

THE Government yesterday named a new preferred bidder for the Ferguson shipyard owned by British Shipbuilders at Port Glasgow.

It is now to negotiate with HLD Group, which took over the nearby Clark Kincaid marine engine manufacturers from British Shipbuilders late last year in a management buy-out.

British Shipbuilders earlier negotiated for some months with Ailsa Perth, the shipbuilder based at Troon in Ayrshire, as preferred bidder. The talks broke down in February, however, and the Government then invited new bids.

Ferguson builds small specialist ships, the last of which was a ferry launched in March for Caledonian MacBrayne, the Hebridean ferry company. While the yard's future has been under negotiation it has been unable to accept orders, despite receiving a number of inquiries.

Mr Bill Scott, chairman of HLD and Clark Kincaid, said that the company had several projects which, if it obtained orders for them, could be built at the Ferguson yard. It is trying to win orders for barge-mounted generating equipment, engines for which would come from Clark Kincaid.

Mr Scott refused to say what plans he had for the 300-strong workforce at Ferguson. "I want to talk to them first," he said.

Mr Tony Newton, the Minister of Trade and Industry, said that HLD's bid depended on reaching "an early and satisfactory agreement with the workforce."

Balfour Beatty and Batignolles win £200m Channel tunnel deal

By Andrew Taylor, Construction Correspondent

BALFOUR BEATTY POWER of Britain and Spie Batignolles, the large French construction and electrical engineering group, were yesterday awarded the biggest single contract for the Channel tunnel project so far.

The contract, worth more than £200m, is for the supply and installation of the electricity distribution system to power the railway in the tunnel.

It is the first of a series of large transportation contracts which will include locomotives, rolling-stock, signalling and communications equipment. It marks a new phase for the project which has previously concentrated on tunnelling and civil engineering works.

Transmanche Link – a consortium of five British and five French construction companies contracted to design and build the tunnel – says contracts for 40 electric locomotives and 500 vehicle transporters are expected to be placed soon.

The locomotives, which will be operated by Eurotunnel, the publicly-quoted company which will run the tunnel, are separate from a £400m order for through-trains expected to be placed by British Rail and SNCF, the French state-owned railway company.

The contract with Balfour Beatty and Spie Batignolles, signed yesterday by Mr John Reeve and Mr François Jolivet, the joint directors general of Transmanche, involves the construction of sub-stations at either end of the tunnel. These will connect the tunnel to the British and French national power grids.

Balfour Beatty and Spie Batignolles will also supply the power system for tunnel lighting, safety equipment, cooling and air conditioning.

Five European consortia pre-qualified for the locomotive and rolling-stock orders. A Euroshuttle group led by Brush Electrical Machines, a subsidiary of Hawker Siddeley of Britain, included ANF Industries of France, Asea Brown Boveri, the Swiss-Swedish engineering group, and BN Constructions Ferroviaires et Métalliques, of Belgium.

Another group involved Alsthom of France, General Electric Company of Britain and British Rail Engineering, sold by BR earlier this year in a management buy-out.

The combined cost of the locomotives and rolling-stock is expected to be more than double the original estimate of £250m and the possibility of leasing the trains is among several options being considered.

Eurotunnel this week said that the project, which has so far cost more than £1bn, was a quarter complete. Spending on the tunnel was currently running at £2m a day.

About 14km of tunnels had been dug in 4½ months this year compared with 7km in the whole of last year.

Mackay quits church over funeral row

By James Buxton, Scottish Correspondent

LORD MACKAY, the Lord Chancellor, yesterday gave up his membership of the Free Presbyterian Church after it suspended him for attending Roman Catholic memorial services as part of his legal duties.

In a statement that bordered in tone on the defiant, the Lord Chancellor said he had no intention of giving any undertaking not to attend such services in the future. He no longer regarded himself as a member of the church.

On Thursday the synod of the small Free Presbyterian church rejected by 33 votes to 27 an appeal against his suspension as an elder of the church for attending the Roman Catholic requiem mass in mid-1986 for Lord Russell of Killowen, one of his legal colleagues. The Free Presbyterians regard the Roman Catholic mass as blasphemous.

Lord Mackay stressed that the synod decision was by a majority, and that it had refused to receive the petition by the minority which supported him. He said he was grateful for the support of the minority, which he pointed out included "the most senior minister in the church and a very senior elder."

Many members of the church fear the synod's decision could lead to a schism in the institution.

Bard bonds may help save Rose Theatre

By Paul Cheeseright, Property Correspondent

CITY OF London financial institutions will be asked to mingle devotion to Mammon with love of the Bard to safeguard what is claimed to be "an irreplaceable piece of our intellectual and spiritual heritage."

This is the remains of the Rose Theatre, built in 1587 and site of some of Shakespeare's triumphs. Its archaeological importance is trumpeted by the MPs, actors and local residents who combined to form the Rose Theatre Campaign.

Campaign representatives today meet property finance specialists from the London branch of Goldman Sachs, the US investment bank, to try to work out a scheme to buy the site on the south side of Southwark Bridge on the Thames.

The site is ultimately owned by Postel, the investment management arm of the Post Office and British Telecom pension funds.

Imry Merchant Developers is now ready to develop the site into an office complex.

The Rose Theatre Campaign wants to create a financial platform as soon as possible to enable it to make a bid for the site – if Postel and Imry could be persuaded to sell. The two have already incurred costs of up to £30m.

Goldman Sachs has been recruited along with Fletcher King, the chartered surveyors, Price Waterhouse, the accountants, and Theodore Goddard, the solicitors, to form a professional team to mount the bid.

Thinking at the moment in Rose Theatre Campaign circles is that a private appeal to wealthy individuals for seedcorn capital and a public appeal for funds would provide a base from which Goldman Sachs could do some financial engineering.

With such sums raised, Goldman Sachs would go to the City for loans - an idea which suggests a possible successor to Bulldog, Matador, Samurai and Yankee bonds in the form of the Bard bond.

Building hope on hope, the Rose Theatre Campaign believes it could then go the Government and ask it to buy the Rose Theatre site from Postel and Imry.

The Government could then lease the site back to a registered charity to look after and display the remains. There would also be an exhibition centre and museum.

Postel and Imry have their own plans for the Rose, however. They believe – and next week will try to demonstrate – that the Rose can be kept and displayed as part of their commercial property development, construction of which has been delayed until June 10 with the help of £1m from the Government.

● Money was yesterday pouring into the London offices of Private Eye, the satirical magazine, after it launched a fund to help pay the £600,000 libel award made to the wife of the Yorkshire Ripper.

The first cheque was for £1,000 from a group of London barristers. The satirical magazine is to appeal against the award.

Keeping the tube on the right safety track

Rachel Johnson on the problems of looking after passengers on London Underground

IMAGINE running a transport system more than a hundred years old, which carries 2.7m passengers daily at high speeds in the biggest and oldest underground network of railway tunnels in the world.

Furthermore, over 70 per cent of its trains – which cover a network the size of Belgium – are more than 80 years old.

Mr Denis Tunnicliffe, the managing director of London Underground, has been responsible for such a system for almost a year. About 19,000 staff, 270 stations, and 240 trains require his constant attention. Puffing on a big cigar in LRT's headquarters in Broadway, he shows the control you would expect from a mathematics graduate and ex-pilot when under fire.

Mr Tunnicliffe has not only had strikes and emergencies to deal with this week, but also the publication of another report damning the underground system's safety management.

The Railway Inspectorate says London Underground's safety management is still fatally flawed – more than 18 months after the King's Cross fire.

Its report warns twice that the possibility of a catastrophe remains. No more than minimal safety standards have been established in a number of important areas, and there is no leadership, no emergency plan, no systematic effort to control congestion.

Mr Tunnicliffe accepts that management needs to be "much crisper" but says "staff are trained up to standard in every station. We are committed to safety. We cannot move any faster."

For many of the travelling public the King's Cross fire of November 1987 – which killed 31 people – expunged London Underground's safety record at a stroke.

A year after the fire the 250-page Fennell report indicted the management for paying more attention to economy than to safety.

It said fires were regarded as an occupational hazard and staff were "woefully ill-equipped to meet the emergency that arose."

London Underground's management and employees insist, however, that safety is – and always has been – the number one concern at meetings and training sessions.

At local level station inspectors are eager to point out changes since King's Cross. Buckets of sand and water are kept full and fire extinguishers are checked. New written instructions for dealing with fires are kept in desk drawers. Posters have gone up exhorting the public not to drop litter and smoking has been banned since 1985.

Passengers will soon be issued with a booklet on how to travel safely on the tube and a 30-strong Fire Section, based at Moorgate, continually checks the stations.

These changes do not appear, however, to have satisfied either the Railway Inspectorate or the travelling public - which carries out its own audit daily.

Overcrowding tops the list of passengers' complaints. Passenger traffic has grown 70 per cent since 1982. Chancery Lane, on the lucrative Central Line, has to be closed to incoming passengers between 8am and 10am in the morning because the station cannot handle the numbers.

The down escalators at Tottenham Court Road, an interchange station on the Northern and Central Lines, are either stopped or reversed during peak periods to prevent people from pouring onto the platforms too quickly and ending up on the tracks.

At Victoria staff with no training in crowd control simply hold people back at the ticket gates. Trains often have to be "sent through" extremely crowded stations to stop at the next.

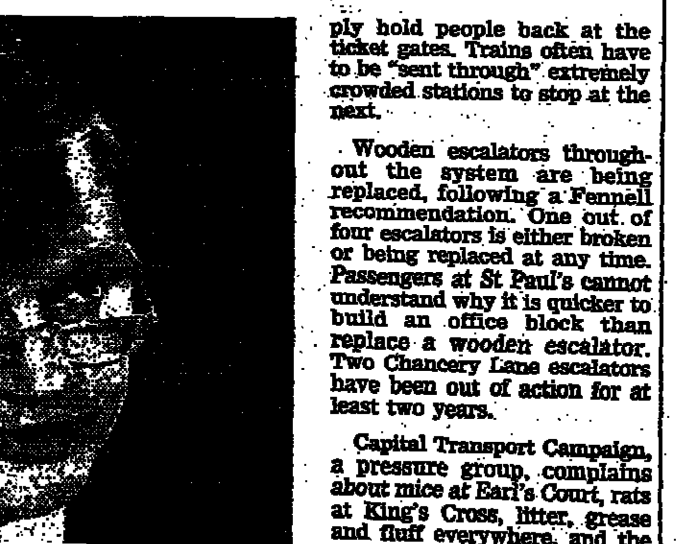
Wooden escalators throughout the system are being replaced, following a Fennell recommendation. One out of four escalators is either broken or being replaced at any time. Passengers at St Paul's cannot understand why it is quicker to build an office block than replace a wooden escalator. Two Chancery Lane escalators have been out of action for at least two years.

Capital Transport Campaign, a pressure group, complains about mice at Earl's Court, rats at King's Cross, litter, grease and fluff everywhere, and the new automatic ticket gates – which, it says, are an economy which compromises safety.

The Fire Brigade Union has also expressed "serious reservations" about the gates' safety.

London Underground, though it has accepted hundreds of urgent recommendations for change made in damning reports after the King's Cross fire, still says that the underground can never be made risk-free.

Mr Tunnicliffe now faces the unenviable task of ensuring that next year's safety reports do not raise the spectre of King's Cross again.



Denis Tunnicliffe: trained staff are at at every station

UK NEWS

Art of putting a value on the stage

Paul Cheeseright on Alex Moss who acts as surveyor to the theatre

ALEX Moss is different from ordinary mortals. He can usually get the best seats in the theatre when he wants them. He knows the owners. Not surprisingly, because he has been involved with most of central London's 40-odd theatres over the last 20 years.

He values theatres, arranges leases and negotiates sales - all the work a chartered surveyor might be expected to do in the property business. Except that theatres are not normal property business.

They cannot be knocked down and redeveloped, so they have no potential value. A £2m theatre would probably be worth £20m if the site were turned into offices. Indeed the annual running costs of the National Theatre or the Barbican Centre are more than any other theatre would sell for.

Nobody builds theatres any more except as part of civic developments. Their values go up and down depending on what is showing in them. There is no cosy landlord-tenant relationship based on 25-year leases with upwards-only rent reviews every five years.

So it is a pretty rarified area for the surveyor. Indeed Sallmanns UK (once Barrington Laurance), of which Mr Moss is the chairman, would not be in it at all but for the fact that as part of the work of providing property advice for the Gascoyne Estate in the early 1970s it found itself negotiating leases for the Albery and Wyndham Theatres.

Now Sallmanns acts in one capacity or another for all the main theatre groups - Chesterfield Properties, First Leisure, Really Useful Group and so on - with the exception of Stoll Moss, the largest of them all, with which Alex Moss has no connection.

The great problem about theatres as property is the uncertainty of the income for the landlord. "The chap who runs the theatre, and that's generally the freeholder, will let the theatre to a producer for the run of a show. That'll be done on a weekly basis. The contracts are quite complicated and they're toughly negotiated," explained Mr Moss.

"The success of the man who runs the theatre depends on his ability to book the right shows," he said. If the owner gets it right then he can sit back and watch the money come in.

"The rent is expressed as a percentage of ticket sales – usually around 20 per cent, although people like Lloyd Webber will strike a better deal." In any event, there is usually a guaranteed minimum.

On top of that the producer will be paying for the technical services of the theatre. But the owner will keep the receipts from the catering. That really just leaves the owner with the liability of looking after the fabric of the building.

If a show closes suddenly and the theatre darkens its doors then there is no cashflow at all for the owner – which explains why some shows are nursed along in the hope of an upturn in box office receipts, even if the theatre is half empty every night.

"Putting a value on all of this is not a science. It is much more of an art than most property valuation. Of course there are market phases. The disastrous years were 1962-63 when more than a dozen theatres closed. Now the theatres are doing pretty well. The big ones are in demand because of the vogue for musicals.

Theoretically it can be calculated that a theatre will produce so much revenue because it has so many seats and, like a hotel, it has a certain percentage occupancy rate. But all the calculations go out of the window with a flop.

Frequently, Mr Moss said, the price which is paid for a theatre cannot be justified on the income it is likely to produce. Bids to buy theatres often come for purely personal and whimsical reasons. One man once wanted to buy the Vaudeville as a present for his wife so she could savour first nights and get invited to theatrical lunches.

"Whenever a theatre comes on the market you get more nuts wanting to buy it than for any other form of property," according to Mr Moss.

Still, there is a market level. Mr Moss recalled trying to buy the Cambridge a couple of years ago.

The theatre was empty, derelict. It had 1,300 seats – larger than the average – but some were sub-standard, with bad views and so on. So the calculation was done on the basis of about 1,100 seats. The place would need refurbishment and that would cost about £1,000 per seat (it would probably cost double that now).

The initial calculation was that the theatre was worth about £2m but would cost half that again to put right. So the value would be about £1m. The house was suitable for musicals, which added another £100,000. Then another £200,000 to sweeten the offer. A bid was put in at around £1.3m. "I thought we might have gone out on a limb," said Mr Moss.

But not at all. Stoll Moss, extending its chain, bid £1.7m and spent more than that again in refurbishment. "The more theatres you have, the more certain you are of getting the best shows," observed Mr Moss. The better the shows, the higher the value of the property. Until the next flop.

Tony Andrews

Alex Moss: "You get more nuts wanting to buy a theatre"

SDP pulls out of Vauxhall by-election

By Tom Lynch

THE SDP has pulled out of the next month's Lambeth Vauxhall by-election, claiming to have struck its first electoral pact with the Social and Liberal Democrats.

The SDP said it had done a reciprocal deal covering four neighbouring constituencies along the south bank of the Thames, after two weeks of local negotiations. The SDP added that national officials of both parties helped in the discussions.

The SLD said, however, the local parties reached their decisions independently – the role of national officials had been to give constitutional and technical advice.

The SLD is to ballot its members in Greenwich and Woolwich on whether to oppose Mrs Rosie Barnes and Mr John Cartwright, the sitting SDP MPs, at the next general election, while the SDP will ballot its members in Bermondsey and Vauxhall on whether to oppose Mr Simon Hughes, the SLD MP for Bermondsey, and Mr Mike Tuffrey, the SLD candidate in Vauxhall.

Local officials in all four constituencies have agreed to recommend the deals, but the SDP said it would not be bound by the ballot result if the SLD voted to contest Woolwich or Greenwich.

Dr David Owen's party has moved nearer its aim to secure a clear run at the next general election for its two London MPs, whose seats are both vulnerable to Labour. Dr Owen – the only other SDP MP – said *the deal provided "helpful guidelines"* for local deals in other parts of the country.

The SLD view, however, was that the four constituency parties were entitled to reach their own decisions – other *people* were welcome to look for connections between them.

Mr Paddy Ashdown, the SLD leader, yesterday issued a statement saying he was "delighted that good sense has prevailed" in Vauxhall and welcoming the Greenwich decision to ballot its members.

"Local parties make sensible decisions based on local circumstances," he said.

The Vauxhall poll – brought about when Mr Stuart Holland, the Labour MP, resigned to take up an academic post in Italy – will be on June 15. Ms Kate Hoey will defend Mr Holland's 9,000-plus majority over the Conservatives.

Ms Hoey was selected by the Labour Party's national executive after it rejected the black candidate, Ms Martha Osamor, favoured by the local party. Mr Rudy Narayan, a barrister, *has since announced that he* would stand as Independent Labour to represent the constituency's black population.

The Conservative candidate is Mr Mike Keegan, a local councillor.

BT awards £300m cable orders

By Hugo Dixon

BICC, the UK cable company, and STC, the UK information technology group, are to receive £160m from British Telecom as an initial payment for supplying it with telephone cables over the next two years. The final value of the contracts is expected to be about £300m.

The orders with the two companies appear to be a blow to GPT, the UK's leading telecommunications maker, and Pirelli, the Italian cable company, which have previously supplied cable to BT. Neither is to receive an initial contract from BT, although each will probably receive orders for business later in the two-year period.

The contracts have been placed as part of BT's policy of establishing long-term relationships with its suppliers. It believes this will result in better planning than with its previous approach of placing orders on a three- to six-month basis.

BT has recently embarked on a major investment programme to upgrade its transmission systems. The programme involves installing fibre-optic cable, capable of carrying vast amounts of information, in business centres such as the City of London and replacing the old copper cable with new copper in much of the rest of the country.

STC said the value of the initial tranche of its part of the contract was £48m. The total value is expected to be about £130m.

BICC said it had been promised more than £100m as an initial tranche, although a final contract would not be signed until next week. The eventual sum would be about £150m, Mr Robin Bigham, BICC managing director, said.

UDM miners welcome £1m share offer

By Maurice Samuelson

MINERS at a Midlands colliery yesterday responded enthusiastically to an offer of £1m worth of cut-price shares in the first of a chain of power stations which British Coal wants to build on colliery sites after the privatisation of the electricity industry.

Mr Malcolm Edwards, British Coal's commercial director, unveiled the offer to unions at Bilsthorpe colliery, Nottinghamshire, the site of a £100m power station planned by the corporation and the East Midlands Electricity Board.

Most of the money is expected to be raised by banks and financial institutions in the US, West Germany, Switzerland and Japan. The plant will be owned by a consortium of British Coal, the EMEB and the contractor chosen to build and operate it.

Since it will use coal from Bilsthorpe colliery, British Coal and its would-be financiers calculate that miners with a stake in it would never take industrial action that could stop its fuel supply.

For their part, the miners are likely to see the power station as a guarantor of their pit's long-term survival and their own livelihood.

The Union of Democratic Mineworkers, the biggest union at Bilsthorpe, has yet to commit itself to a formal no-strike agreement there. However, Mr Roy Lynk, the UDM president, yesterday voiced strong support for the project and called Mr Edwards' share offer "the chance of a lifetime for the working miner."

The £1m financial package will involve the offer of four shares for the price of one to both the individual miners and their unions.

The 150MW station, using the latest clean coal technology, will take about two and a half years to build. Bids from contractors are due in next month and British Coal and the EMEB hope to be ready to start work at the end of the year.

The power station will use a technology called circulating fluidised bed combustion, which has a high thermal efficiency and prevents noxious emissions entering the atmosphere.

● Miners at Bilston Glen colliery, near Edinburgh, have defied their union leaders and voted for the closure of their pit.

The decision means the loss of 700 jobs and leaves Scotland with only one deep mine.

Correction

I.A. Pritchard

AN article in the Financial Times of May 22 on the formation of a new stockbroking firm in the Midlands, G.R. Dawes & Co, should have made clear that only the Birmingham office of I.A. Pritchard was being acquired. The rest of the operations of I.A. Pritchard, a Bournemouth stockbroking firm, are unaffected.

Ban on interviewing extremists in Ulster upheld by High Court

By Raymond Hughes, Law Courts Correspondent

THE GOVERNMENT'S ban on radio and television interviews with members of the IRA, Sinn Fein, the Ulster Freedom Fighters and other extremist Northern Ireland organisations has been upheld by the High Court.

Three judges ruled yesterday that Mr Douglas Hurd, the Home Secretary, had acted lawfully when he imposed restrictions last October.

Rejecting a claim by six broadcasting journalists and a representative of the National Union of Journalists for an order quashing the ban, the judges said the restrictions did not prevent the BBC and Independent Broadcasting Authority discharging their duty to report current affairs in Northern Ireland impartially.

The ban applied to extremist groups on both sides of the political divide in Northern Ireland, the judges said, adding that it was "significant" that neither the BBC nor the IBA had felt the need to challenge the ban.

They noted that the restrictions had been approved by a majority in the House of Commons and without a division by the House of Lords, and also noted that they were less rigorous than similar restrictions in the Republic of Ireland.

The journalists, who included Mr Fred Emery, presenter of the BBC's Panorama programme and Mr John Pilger, are likely to challenge the ruling in the Court of Appeal and, if necessary, the House of Lords.

Should they lose in the Lords, they may take the case to the European Court of Human Rights in Strasbourg. Part of their argument is that the ban breaches Article 10 of the European Human Rights Convention, which guarantees freedom of expression.

The BBC and IBA are banned from broadcasting directly words spoken by people representing specified organisations, or words which support, solicit or invite support for those organisations.

The ban permits indirect reporting. Programme presenters are allowed to read out what has been said by someone whose interview cannot be broadcast.

Lord Justice Watkins said the ban would inevitably lead to some anomalies and difficulties for broadcasters. "But we do not accept that difficulties cannot be appropriately overcome by persons experienced in the processes of communication."

Moreover, the Home Secretary had attempted to frame the notices so that they were not restrictions on all reporting, the judge said, by carefully *confining them to the preven*tion of direct appearance by those who used or supported violence.

Development funding up £21m

By Michael Holman

THE Commonwealth Development Corporation, the British bilateral development finance agency, has won its case for an increase in government support.

Mr Chris Patten, Minister for Overseas Development, announced in parliament this week that assistance will increase from £49m in 1988-89 to £70m in 1989-90. He added that "£20m of this will be additional to the existing agreed aid provision."

Ministry officials explained yesterday that last year's level of support had been increased by £1m to £50m in 1989-90 and the further £20m is an additional, special allocation to the corporation. The level of support after 1990 will be a matter for negotiation.

Mr John Eccles, the corporation's general manager, said: "We are delighted that the Government has expressed confidence in CDC in this way".

The outcome is the result of persuasive lobbying of the Treasury by Mr Patten, who sympathised with the case made by the CDC for increased assistance.

The corporation has argued that it plays an important and successful role in developing countries, where it encourages the private sector. It is funded by loans from the Government's aid programme, which are repaid with interest.

CDC in turn makes long-term loans at competitive interest rates and has investments and commitments of £1.1bn in over 50 countries. After meeting its repayments to the Government, CDC retains any surpluses for reinvestment.

Earlier this year Mr Eccles, CDC's general manager, warned of possible financial constraints on the corporation, noting "some signs that loan support from the British Government will fall in real terms."

Last week Lord Kindersley, the chairman of CDC, appealed for increased government support. Presenting the 1988 annual report he stressed that changing attitudes on the part of governments towards the private sector in the developing world provided the corporation, "with opportunities for debt-equity swaps and at the same time for increasing investment in the private sector."

Mr Patten told parliament that the CDC was "an important part of Britain's overall development effort overseas, particularly in relation to the private sector."

Health costs threaten profits in US

By John Hunt

SOARING American health care costs paid by companies for their employees could wipe out future after-tax profits for British subsidiaries in the United States, Mr Bernie Braverman, a vice president of Noble Lowndes, the employee benefits and actuarial services group, warned yesterday.

"A lethal combination of benefits-related events threatens to erode profits in the US," he said after a week of seminars on the topic organised by Noble Lowndes in London.

US total health care costs rose by about 25 per cent in 1988 and amount to nearly 12 per cent of the US gross national product. This year they are expected to rise to $590 bn (£373bn), of which employers are paying a third.

"With no reduction in the level of annual increase in sight, health care costs could eliminate after-tax profits of subsidiaries in the US by the mid 1990s," he predicted.

This, he said, was simple mathematics, if profits were assumed to run at 10 per cent a year and the cost of health care continued to rise at 25 per cent annually.

The rise is largely caused by increased use of costly new medical technology. Mr Braverman said that employers providing comprehensive health plans are subsidising the 30 per cent of Americans not covered by health insurance.

He said the US motor industry alone had a $5bn health care bill this year, while last year General Motors spent $3bn on health care and Ford $1bn.

Attempts to bring health care costs under control have so far involved the appointment of independent panels to assess costly medical treatment before it is approved, and the payment of an excess by the patient.

Problems also arise from proposed changes to accounting standards in the US. These mean that companies' health payments for retired employees will have to appear on their books as liabilities.

Mr Braverman said many of the top 500 US corporations expected a 30 per cent to 50 per cent reduction in earnings if they cannot reduce their obligations before the new rules come into effect in 1992.

EMPLOYMENT

New scheme questions retail training standards

By John Gapper, Labour Correspondent

Wm MORRISON, the northern supermarket chain, has devised extra tests for young employees joining an improved version of the company's youth training scheme. The revised procedure follows dissatisfaction with new national retail training arrangements.

The company has followed other retail employers, including J. Sainsbury, in setting up a training scheme under which 16-year-olds are directly employed from the start instead of moving on to full pay only in their second year.

However, it has decided that a straightforward move to a scheme which teaches the basic skills required under the new Retail Training Certificate will weaken existing standards of product, health and safety and academic knowledge.

The move was disclosed yesterday after strong criticism by the National Institute policy study group of the Retail Training Certificate, which meets standards set by the National Council for Vocational Qualifications.

Wm Morrison, which is moving to the Retail Training Certificate to retain Youth Training Scheme funding from the Government, said it would try to protect training standards by setting additional tests under a separate certificate.

Ms Jean Sowton, youth training manager, said she agreed with some criticism of the Retail Training Certificate published in the National Institute's Economic Review this week.

The company is to take 150 young people on to its new training scheme this year. Previously, it offered 100 YTS places. However, it has not been able to fill all of them because of the low level of starting pay.

Ms Sowton said the company hoped the new Retail Skills Apprenticeship Scheme would be an incentive for young people to stay with it after qualifying, and put the company in a better position to compete for the falling number of school-leavers.

The move is the latest in a series by retailers to upgrade youth training and pay in the face of growing competition for young workers. Sainsbury and Tesco have substantially improved youth pay rates.

The National Institute criticised the Retail Training Certificate for risking the creation of a "certificated, semi-literate underclass" by its concentration on practical skills at the expense of product and academic knowledge.

The Retail Training Certificate is the first industry-devised scheme to be recognised by the NCVQ.

BT managers accept personal contracts

By Michael Smith, Labour Staff

A LARGE majority of middle managers at British Telecom has rejected the advice of their union and accepted the company's offer of personal contracts.

BT would say only that the response to its offer had been encouraging but it is believed that about 80 per cent of the 4,500 managers involved have agreed to be employed on an individual contract basis.

Ironically, the managers' decisions were made at the same time as many were voting to take industrial action over what will, for them, be the company's last pay offer under collective bargaining arrangements.

In a ballot of all members of the Society of Telecom Executives, 10,532 voted in favour of industrial action short of a strike and 2,569 against.

The STE said it would start the action after the union's annual conference at the middle of next month. Initially it will centre on a withdrawal of goodwill, including a refusal to work outside normal hours.

The union said the action would hold back BT development plans but was unlikely to disrupt services. BT hopes the action will have only limited support because only about a *quarter of 40,000 managers* in the company voted in favour of it.

BT offered substantial incentives, including company cars and free telephone facilities, for middle managers to accept *personal contracts. The STE* said that the company also warned managers that their careers would be held back if they refused the contracts, a charge denied by BT.

BBC refuses to increase offer after latest strike

By John Gapper, Labour Correspondent

THE British Broadcasting Corporation yesterday reiterated its refusal to improve a 7 per cent pay award to staff after the fourth in a series of 24-hour strikes disrupted news, current affairs and other live programmes.

The BBC estimated that about 12,000 of its 25,000 staff had again walked out in protest at the imposed pay deal. The lightning stoppage, called on Thursday afternoon, hit television and radio news programmes.

Broadcasting unions said yesterday that the BBC had recruited Mr Peter Sissons, the Independent Television News presenter, to replace Sir Robin Day as presenter of the Question Time programme by offering him a £500,000 three-year contract.

Mr Roger Bolton, national industrial officer of Beta, the studio staff union, said Mr Sissons' contract was further evidence that the BBC was showing "total contempt for the vast majority of its staff" while rewarding some people highly.

The BBC, which would not disclose Mr Sissons' salary, said it was not going to raise the 7 per cent award.

The unions involved in the action – Beta, the National Union of Journalists and the ACTT technicians' union – said the same number of staff had taken part in the strike as on the previous occasions.

Threat to university bargaining

By David Thomas, Education Correspondent

UNIVERSITY employers yesterday threatened to abandon national bargaining this year if lecturers vote against the proposed settlement to the long-running university pay dispute.

The Committee of Vice-Chancellors and Principals coupled this threat with a refusal to increase the proposed settlement reached last week.

The proposed settlement is for a 6 per cent increase, a lump sum ranging from £150-£285 and 1 per cent for merit pay.

The governing council of the Association of University Teachers last week over-ruled its negotiators by deciding to recommend the union's 30,000 members to reject the package in a ballot. The ballot result is due next *Thursday.*

The AUT's council also said the union would immediately abandon its refusal to mark this year's exams if the vice-chancellors increased the lump sum to £285 for all universities.

The vice-chancellors's committee yesterday refused to increase the lump sum in the national offer, but recommended individual universities to pay the full £285 locally if they could afford to do so.

The employers urged lecturers to vote for the settlement, adding: "If the ballot results in rejection of the national agreement that agreement will fall and all that remains is settlement through local deals."

The AUT accused the employers of bureaucratic intransigence, claiming that individual vice-chancellors in about half Britain's universities *have informally indicated* willingness to pay the full £285.

Midland Bank offer accepted

By Michael Smith, Labour Staff

MIDLAND BANK has won agreement from union negotiators for a pay deal which will raise the basic salaries of non-*managerial staff* by *7.5 per cent* and lift the value of the pre-Christmas bonus from 2.5 to 3 per cent.

Although the settlement is lower than several deals recently agreed by smaller *financial services groups, it* demonstrates the effect of higher inflation on pay expectations since February when National Westminster staff agreed to a deal raising salaries by 5.75 per cent with *another* 1 per cent for grade restructuring.

The deal at Midland has also prompted negotiators at Lloyds Bank to reverse a decision to advise non-managerial staff to accept a 7.5 per cent offer.

Talks at Acas, the concilia*tion service, earlier this week* failed to achieve a settlement and the Banking, Insurance and Finance Union (Bifu) is organising a ballot on industrial action including an overtime ban.

*Bifu's settlement with Mid*land could increase friction with the MSF general technical union, whose bank representatives will meet this morning to consider their response to the offer.

Earlier this year the Midland told MSF it would no longer talk to the union on pay matters. MSF argues that Bifu should have supported its fight to retain collective negotiating rights by refusing to enter pay discussions with the Midland.

● *Mr Derrick Fullick, the* leader of Aslef, the main union for London Underground train drivers, yesterday called on his members to cancel plans for a further unofficial 24-hour strike next week to allow the *union's national executive con*sider calling a ballot over the corporation's 10.5 per cent pay offer, linked to changes in working practices.

It is the first time the union's leadership has publicly *attempted to exert control over* the unofficial action which has hit the Underground several times in the last month.

Communications unions revive merger talks

By Michael Smith, Labour Staff

BRITAIN'S TWO largest communications unions have revived merger talks in a move which is likely to hasten progress towards the creation of a large union representing workers in post, telecommunications, print and the media.

*The Union of Communica*tion Workers, representing mainly Post Office workers, and the National Communications Union, whose largest group of members work for British Telecom, have started negotiations after healing a rift which began with a row over politics last summer.

The improving relationship has been helped by the election as NCU general secretary of Mr Tony Young, who was warmly received when he spoke yesterday in favour of the merger at the UCW annual conference.

Union leaders on both sides eventually hope for the creation of an organisation comprising the National Union of Journalists and the NGA and Sogat print unions – as well as the NCU and UCW.

As a first step they expect to present papers outlining merger plans to the UCW and NCU conferences next year with a view to combining the two unions in the early 1990s.

● About 20,000 production and clerical workers in regional newspapers have voted to accept a pay deal of just under 6 per cent that allows for the introduction of more flexible working practices.

Under the agreement between the Newspaper Society and the NGA and Sogat '82 print unions, NGA members will receive a £7.34 weekly increase on the minimum rate. Sogat members will get a £6.50 increase.

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Economic disarray

THE UK GOVERNMENT is in disarray, in large part because the economy is turning sour. The Prime Minister and the Chancellor of the Exchequer squabble and make up like an ill-matched couple in a soap opera. He would like to see sterling in the exchange rate mechanism of the European Monetary System, while she remains attached to monetarism in one country. She thinks he has undermined her policy while she denies him his. Meanwhile, the soaring dollar and the ineffective attempts of the world's monetary authorities to do anything about it are making their plight still worse.

The consensus in Tokyo is that the strength of the dollar is no more than a short term phenomenon. So the Matsushitas and Nissans of this world will pocket their windfall profits, paying due thanks, no doubt, to those of their fellow countrymen who are pouring money into the dollar. But they are unlikely to change long term strategies to internationalise their companies because of what they see as a short term blip in the dollar.

Short and long

But what is short term to Japanese corporations may prove long term to almost everyone else, starting with the financial markets, but including American business and, last but not least, Congress. A soaring dollar is precisely the opposite of what is required when Mrs Carla Hills, the US Trade Representative, has just named Japan as an "unfair trader" under the Omnibus Trade Act of 1988. International macroeconomic co-ordination began in 1985 with a desire to lower the dollar to curb American protectionism. Success on that front remains fragile. The recent strength of the dollar may, in time, undermine it completely.

So the US, Japan and West Germany must reconsider what exchange rate management can and should achieve. There are three possible strategies. The first would be to try to fix exchange rates at levels thought consistent with long term "balance of payments equilibrium" (whatever that may be).The second would be to stabilise currencies in a band around estimates of "purchasing power parity." The third would be to allow exchange rates to adjust freely to policies that are themselves dictated by the goal of domestic economic stabilisation.

Of these, the first simply looks infeasible. Investors do not want the external adjustment called for by so many pundits. They just want the US to be a safe, profitable haven for their investments and that is precisely what it again appears to them to be. So in pours the money.

Monetary sovereignty

Freely floating exchange rates have created considerable difficulty in the past. So fixed exchange rates, though ones that may be adjusted from time to time, might well prove the best alternative in the long run. If so, the protectionist pressures associated with the US trade deficit have to be met head on. They cannot be wished away by currency manipulation.

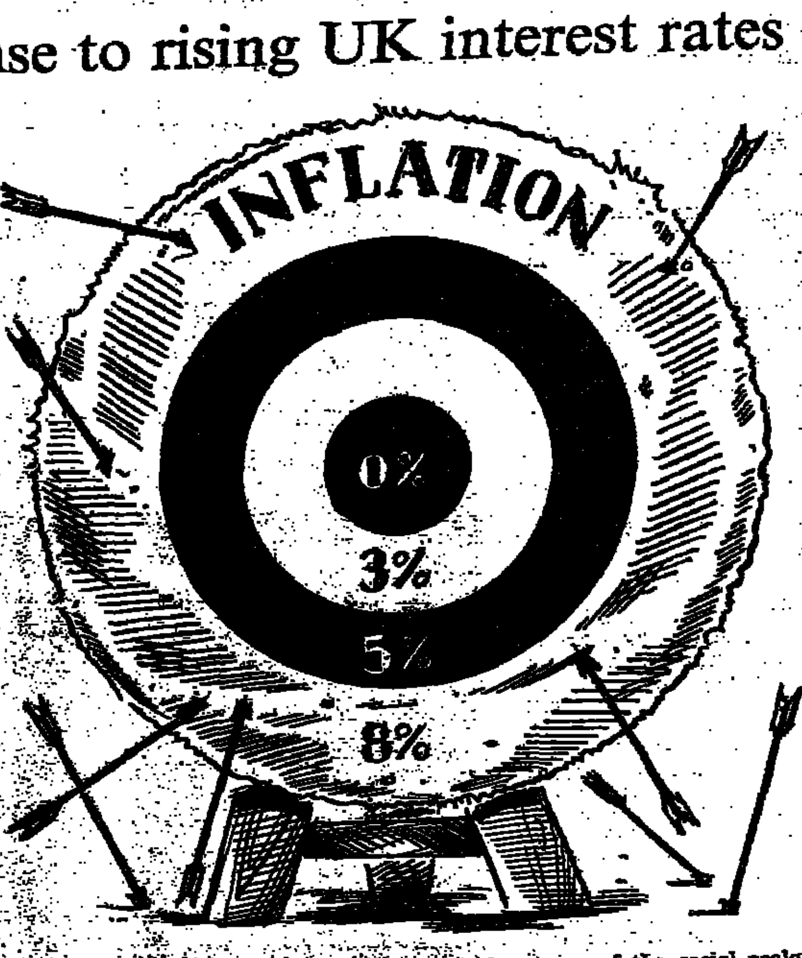
The international disarray has also demonstrated how small a thing is Mrs Thatcher's cherished monetary sovereignty. The UK is dependent on an inflow of capital of about 3½ per cent of gross domestic product. The Government hoped that the inflow would continue at 13 per cent base rates and a stable exchange rate. This week events offshore put the desired combination out of reach. The announced current account deficit for April, though £1.66bn, was insufficiently bad to make things still worse, but sterling remains fragile. There is every possibility of yet another upward adjustment in interest rates.

When things go wrong people cast around for someone to blame. Thus Mrs Thatcher blames Mr Lawson for his flirtation with currency management. She is wrong. That mistakes were made is obvious in retrospect (not, it should be noted, that most of the Chancellor's present critics noticed them at the time), but the acceleration of demand growth in the UK long preceded the attempt to keep sterling below DM3 in early 1988. The most important mistakes were made some two years earlier. They were, indeed, the proximate cause of the economic performance that Mrs Thatcher gloried in at the time of the 1987 election.

Meanwhile Mr Lawson still hopes for a smooth adjustment to lower growth, remarking only yesterday that "perhaps for the first time, the policy is succeeding in checking excessive demand growth without having any significant adverse effects on supply." The preliminary figures for GDP in the first quarter suggest this is not so, but – more importantly – it is doubtful whether the damage to underlying inflation done by excessive demand growth in the past can be undone without adverse effects on supply. There are likely to be many more squabbles, as the full extent of the UK's economic difficulties becomes more evident.

FT correspondents examine consumers' response to rising UK interest rates

Paying the price of dear money



The Chancellor's efforts to stifle consumer demand by increasing base rates 10 times in less than a year have stood the social, regional and demographic distinctions deemed to characterise the Britain of the 1980s on their heads.

The north appears to be riding the crisis better than the south, and the young are feeling the squeeze's more virulent effects, while the middle-aged are proving more resistant. However, no-one and no region is immune to the impact of the highest lending rates since 1985, and the strain is beginning to show.

The north/south divide has been thrown into sharp relief: in the north, where house prices, and consequently mortgages, are relatively low, discretionary spending has so far been little affected. For example, trade is apparently racing away at the North Eastern Co-operative Society, with turnover currently up 11 per cent on last year.

A.T. Mays, one of Britain's largest travel agents, with most of its business concentrated in Scotland and the north, reports gains in package holiday sales, while overall the foreign holidays market is down 10 per cent.

In contrast, consumer markets in the south are showing marked signs of stress. Mr David Jones, chief executive of the Next store chain, the leading "lifestyle" retailer, told the company's annual meeting on Thursday that London sales were "well down" in the first few months of the year. The French Connection fashion chain, reporting a "lousy" year just past, said conditions were "very, very difficult."

Yuppies may still be enjoying their youth, but their upward mobility has been halted by the spiralling rise in mortgage payments. Meanwhile, the woopies – well-off older people – find themselves cushioned against the worst of the squeeze by the fact that many of them have either paid off their mortgages or have only small mortgages outstanding on their homes – which are still worth considerably more than they paid for them. Their savings are also earning plenty of interest.

However, the underlying pressures – and this week's further one point rise in base rates which threatens home-owners with another mortgage repayments rise three months hence – respect none of these fashionable distinctions.

This was demonstrated in part by the 1.4 per cent provisional drop in UK retail sales volumes during April, reported on Wednesday. And the biggest monthly fall in two years might have been even more dramatic had retailers not dug deeply into their bags of marketing tricks.

Shop sales have been below expectations since before Christmas, and the multiples have had plenty of time to prepare their strategies. Out-of-season sales, discounts and interest-free credit have all been applied to keep turnover moving. Retailer "push" rather than consumer "pull" has succeeded in holding kitchen appliance sales steady, according to Mr John Binks of AGB Research. April figures from the main electrical retailers showed virtually no change on last April's sales.

"But they are having to work hard, and it is probably costing them money to shift this product," said Mr Binks. Multiples with a high proportion of sales coming from own-brand goods made in the Far East, for example, had six or eight-month lead times. It was not easy to stop the flow of products.

The pattern of sales was patchy and the south was performing less well than the north, he added. The appliances market is being supported by strong demand for dishwashers (mostly imported and more popular among older householders). April sales were 9 per cent higher than a year ago. But turnover from washing machines was 4 per cent lower, and sales of microwave ovens (popular among the young) were down almost 12 per cent.

Some retailers have suffered more than others. The electricity board showrooms, for example, because their customers include a large proportion of older people and non-home owners, seemed likely to emerge in better shape than certain others.

Even the do-it-yourself stores, which are traditionally supposed to benefit from depression in the housing market, have had to resort to discounting. This weekend, B&Q, the biggest DIY store in the country, is offering 20 per cent off everything for people prepared to pay £25 for its discount card. In company with all the large players, it has experienced a distinct drop in sales since Easter.

The popular theory that people postponing plans to move house find consolation in the wholesale prettification of their existing homes has failed to yield any benefits for the DIY trade. Nor are there any consistent signs of similar effects on the home furnishings trade.

Spending on personal embellishment, however, continues apace. Sales of toiletries and cosmetics show no signs of easing, and the floods of youngsters raiding Mr Gerald Ratners' self-proclaimed "flash-for-cash" jewellery chain continue unabated. At the top end of the market, Crown jeweller Garrard says it has detected no sudden absence of buyers. In the middle, the John Lewis department store chain reports costume jewellery sales up 24 per cent so far this year.

The apparently indomitable buoyancy of the car market faces a stern test as the registration prefix changes in August, the point when, in normal conditions, manufacturers make 20 per cent of their annual sales. But higher interest rates have yet to make themselves felt – their sting has been drawn by the car makers' widespread use of cheap credit deals financed out of profits reaped from four consecutive years of record sales.

Low-cost finance deals on offer from Ford, the UK market leader with more than a 25 per cent market share, include 2.9 per cent interest on two-year credit deals on many of its small and medium-sized cars. Other incentives include free insurance with an Orion or a car phone plus three years' line rental thrown in – worth £1,500 – on a 2.9 litre Granada.

New registrations to the end of April were almost 10 per cent up on 1988. Dealers in the south-east report slower growth, but demand has remained strong elsewhere, and the whole market is underpinned by booming sales of company fleet cars.

The shining optimism of the motor industry and trade is somewhat dulled by sceptical voices in the City. "There should be no false hopes of the UK vehicle market," said Mr John Lawson, analyst at Nomura Research. Demand was likely to slow significantly in the second half of the year. "If manufacturers respond by increasing incentives and competitive pricing – as they can well afford – sales volume may hold, but margins will fall."

In the UK travel business, the picture is blurred by the after-effects of last year's chaotic delays in airports and the growing disenchantment with the cheap package holiday. Although an estimated 1m fewer Britons will travel abroad on a package this year, analysis of sales shows the holidays selling least well are the cheapest deals. Spain has been especially hard hit, while the British seaside is basking in unusually sunny economic conditions. Pontins, one of the largest holiday camp operators, reports bookings up 30 per cent on last year.

Consumer money markets, despite their apparent sensitivity to interest rate changes, have so far shown little reaction. The credit card industry, for example, has suffered less than might be expected, and Barclaycard, the largest issuer, has held its rates at 26.8 per cent APR (2 per cent a month) since last August.

One large player in the market, TSB Trustcard, has moved its rate up to 2.2 per cent a month (28.7 APR), but the others, with one eye on the Monopolies and Mergers Commission investigation of their business, have so far been unwilling to follow.

However, those consumers attempting to ease their financial strains by borrowing seem increasingly reluctant to draw loans on plastic cards. Other forms of consumer debt, notably bank loans, are rising steadily, but the credit card is losing its share of this market. Last year credit card debt accounted for only a tenth of total consumer borrowing compared with a sixth five years earlier.

Retailers also report growing conservatism among store card holders. Although the number of cards issued rose 8 per cent to 7.5m last year, the amount of debt outstanding on them increased only 3 per cent to £1.15bn.

Savings, meanwhile, are flowing into building society accounts at close to record levels, even though the rates are no longer as competitive as they were. Last month, for example, they took in £1.17bn. And at first sight mortgage business appears to be ticking over reasonably well. Building societies handed out £4.3bn in mortgages last month – respectable enough when compared with £4.7bn in April last year. But societies admit that a high proportion of these loans are remortgages on existing homes.

Given that house prices have recently threatened to displace the weather as the Briton's favourite conversational gambit, few can be unaware of the condition of the housing market. It was inevitable that this would suffer under the interest rates screw, and following the latest turns, gloomy forecasts have become even gloomier.

"Last year the building societies did £50.9bn of mortgage business," said Mr Philip Court, chief executive of the Birmingham Midshires society. "I originally thought we might do around £40bn this year in a more subdued market. But it looks like the year-end total may now be as low as £32bn."

Even the market for retirement homes, once considered one of the most resilient parts of the UK housing market, has been affected. Sales fell by more than 25 per cent in the first four months of the year, indicating that many potential buyers have found themselves stuck. Unable to sell their existing homes for what they consider a fair price, they have elected instead to sit it out and wait for conditions to improve.

Once again, London and the south-east are taking most of the strain. According to the Halifax building society, the average price of a London home has fallen by £1,000 since January. Others report falls of 10 per cent, and one Prudential estate agents branch manager claims that his staff of more than a dozen have been more or less idle since Christmas.

Scotland, by contrast, is still enjoying a seller's market. Mr Mike Rutterford, managing director of Stuart Wyse Ogilvie, the leading Scottish estate agency chain, reported prices for first-time buyers had gone up 5-10 per cent across Scotland this year, while the middle market showed rises of 9-15 per cent and the top end 15-40 per cent. "The Scottish market has still got a lot of steam under its bonnet," he said. "We sold the right-hand half of a semi-detached house in Bearsden (a smart suburb of Glasgow) in April 1988 for £95,000. This March we sold the other half for £180,000. You can't get a better comparison than that."

So far the Chancellor's squeeze has affected the country where it is fattest, but there are signs that the pressure is shifting northwards and across a broader range of the social scale. House prices are still rising north of the River Trent, but agents report indications that they may be peaking.

Discounts and special deals are common in every market. Despite the cheery noises from Scotland, Clydesdale Group, the country's largest electrical retailer, feels the need to offer interest-free credit on sales. "We've got to keep the customer spending going," said Mr Henk van Eck, chief executive. "But it's very expensive for the retailer." As he pointed out, the

EFFECTS OF CHANGES IN INTEREST RATES ON SPENDING PATTERNS

	With mortgages	All respondents
Big effect	21%	15%
Small effect	50%	37%
No effect	29%	48%
MOST LIKELY ECONOMIES		
Buy fewer clothes		39%
Eat out less often		36%
Put off buying a car		35%
Spend less on drink, cigarettes, sweets		31%
Put off buying TV, VCR, audio equipment		29%
Have a cheaper main holiday		28%
Put off buying equipment for kitchen		23%
Have fewer holidays		21%

Source: Ferguson Research / Spring 1989

more often store operators offer such special terms, the more often consumers come to demand them.

Such tactics will become even more expensive as the latest interest rate rise filters through, and competitive pressures mount. Even if Mr Lawson decides not to squeeze again and leaves interest rates unchanged, last week's rise must surely be passed on to mortgage payers at some point, and its effects should then start to depress the parts and peoples of Britain that earlier restraints have failed to reach.

Contributors: Christopher Parkes, David Barchard, David Churchill, Maggie Urry, James Buxton, Andrew Taylor, Kevin Done

How Lawson missed his mark

A year ago, Mr Nigel Lawson, the Chancellor of the Exchequer, could do no wrong. Credited with winning the 1987 election for the Conservatives on a wave of prosperity, author of 1988's tax-reforming Budget, he was powerful enough to challenge the Prime Minister over the issue of pegging the exchange rate of the pound.

One year on, the aura of success has vanished. Inflation last month was 8 per cent and rising; this week, sterling's weakness forced Mr Lawson to raise interest rates by one percentage point to 14 per cent.

Interest rates have nearly doubled in less than a year; they are at a level last seen in early 1985, when sterling seemed to be heading for parity with the dollar. And Mr Lawson can have no certainty that even this crisis level of interest rates will be sufficient to contain speculative pressure on the pound.

There is no doubt that Mr Lawson has made mistakes; he admits as much. The rise in inflation is "wholly unacceptable," he says. It has broken out of a pattern of long-term decline. Inflation at 8 per cent was last seen in August 1982.

Earlier this week, the National Institute of Economic and Social research pinned the main blame on the 1988 tax-cutting Budget. A week ago, the Prime Minister, in a statement later retracted, appeared to pin the Government's inflationary woes on Mr Lawson's attempt to peg the pound to the D-Mark last spring.

But in many ways, the problems started in the mid-1980s. The period witnessed, in bewildering succession, a slide in sterling to near parity with the soaring dollar in early 1985; a sharp fall in oil prices in 1986; and the global stock market crash in October 1987.

With hindsight, one of the errors of Mr Lawson's six years as Chancellor appears to be the failure to use the sharp fall in the oil price in 1986 to transform Britain into a low-inflation country like its European neighbours. Oil prices dropped from around $26 per barrel in July 1985 to around $10 per barrel in the spring of 1986. Inflation dropped to 2.4 per cent in July 1986. After some delay, Britain responded with a relaxation of monetary policy and a drop in the sterling exchange rate.

That policy, which meant that inflation started to rise again, ushered in a period of rising employment and faster economic growth. The price, however, was the acceptance of an underlying inflation rate of 4 per cent to 5 per cent.

It left Britain ill-equipped to resist further inflationary pressures when the general easing of monetary policies after the 1987 stock market crash paved the way for a worldwide acceleration of price increases. A British boom ensued. Domestic demand surged by 7 per cent last year, and the current account balance of payments deficit – that old bogey of the British economy – surged upwards to its present annual rate of £18bn.

Mr Lawson's discomfiture has generated its own political melodrama, with oft-rumoured and occasionally visible hostilities between Numbers 10 and 11 Downing Street prompting growing concern among Tory backbenchers. The political implications of rising inflation and high interest rates were hammered home last week when Mr Lawson was heckled by a gathering of Tory women.

Amid a welter of recrimination and hindsight, Mr Lawson is fortunate to be a political pachyderm. He appears unperturbed by the discord. "I never have cared what other people think of me," he recently told a television interviewer.

Yet the sudden turn for the worse in the economy has raised old doubts about Mr Lawson himself. Could it be that he is, as often supposed in the past, still too clever by half? His tolerance for boredom is often low; is a lack of persistence to blame for the fact that Britain has the highest inflation of the majer industrial countries?

Perhaps the fairest judgment is that the Chancellor appears to have underestimated the power of three broad trends:

- Britain is an inflation-prone nation. Earnings increased on average by around 7.5 per cent a year between 1983 and 1987, before rising to their present 9.25 per cent rate. When the annual rate of retail price inflation dropped to lows of 3.7 per cent in May 1983, 2.4 per cent July 1986 and 3.3 per cent early last year, earnings increases stayed high.

Mr Lawson failed to use the sharp fall in the oil price in 1986 to transform Britain into a low inflation country

- The abolition of exchange controls in the early years of the Thatcher Government has brought pain as well as pleasure. Nothing is so volatile as foreign capital. While Britain can now finance a current account balance of payment deficit of around 4 per cent of gross domestic product, government policies and unity are under the constant scrutiny of anonymous foreign investors who stand ready to withdraw an estimated £35bn of short term "hot" money at a moment's notice.
- Liberalisation of financial markets has greatly increased British consumers' appetite for credit. Innovative financing has enabled people to capitalise on rapidly rising house values to satisfy their demand for goods. The personal savings ratio is now thought to have averaged 4.1 per cent in the final quarter of last year; 10 years before it was more than 12 per cent.

These broad trends apart, a number of specific factors helps explain where Mr Lawson went wrong in 1986. At the time, the Government's policies were generally perceived to be restrictive, especially against the background of political uncertainty caused by the Westland affair early in 1986. In January, base rates were raised by one percentage point to 12.5 per cent when sterling came temporarily under pressure. The Budget that followed was regarded as both prudent and innovative by many in the City who later became Mr Lawson's critics.

Although base rates started to fall after the Budget, unemployment was still rising towards a peak of more than 3m in mid-1986 and there was widespread belief that Britain, because of its oil dependency, was doomed to suffer a "growth pause."

It was only when Mr Lawson gave a further boost to the economy by unexpectedly increasing public expenditure in the autumn of 1986 that alarm began to be expressed. One public complaint came from the Commons Treasury and Civil Service Committee.

It argued late in 1986 that the Government's medium term financial strategy lacked "a coherent framework for the setting of fiscal policy." Observing that "a substantial change in policy" had occurred over public expenditure control, money supply and interest and exchange rate policy, it urged that these changes should be "openly explained and avowed."

Suspicions grew that the Chancellor was engineering a pre-election boom. That accident rather than malice was to blame is suggested by the fact that he allowed the boom to continue well after the 1987 Conservative election victory.

Something of a puzzle still surrounds Mr Lawson's evolution from a one-time monetary ideologue into a pragmatic seat-of-the-pants Chancellor. As a member of Sir Geoffrey Howe's Treasury team, he helped devise a medium term financial strategy – based on control of a broad measure of money supply – to counter inflation in the early 1980s. Yet he presided over the strategy's decay and abandonment in the mid-1980s. Again, accident rather than malice seems the cause: Mr Lawson's chosen measure – sterling M3 – had misbehaved even before he became Chancellor, and he was not alone in failing to recognise the implications of this.

Although Mr Lawson has said that he never promised a soft landing for the British economy, he is hoping that investment and economic growth in Britain will survive the shock treatment of higher interest rates. Long term interest rates – the ones that matter to companies contemplating investment – remain far below bank base rates.

But the relative weakness of sterling after this week's interest rate increase shows how the Chancellor's strategy is vulnerable to the sentiment of foreign investors. Further inflationary pressures are in the pipeline, fuelling industrial unrest and higher wage claims. The Government's frequent claim that the British economy has been transformed under Mrs Thatcher will be given its most serious test in the months ahead.

Peter Norman

Studying the art of the possible

Quentin Peel watches the new Soviet Congress teach itself

"COMRADES! I congratulate you on joining this University of Politics, for a five year course in the faculty of democracy!"

Thus the deputy from Lithuania greeted fellow members of the Soviet Union's new super-parliament, the Congress of People's Deputies. Then he turned to the vital matters in hand.

First, he appealed for microphones to be installed around the floor of the Kremlin Palace of Congresses, "so that everyone can feel equal with the presidium, and we don't have to run through the hall with a very small hope of being heard."

And second, he called for more tellers, to make sure that close votes were counted correctly.

It is from such small details that the Soviet Union's 2,250 new deputies are learning the game of democracy.

Mr Mikhail Gorbachev has thrown his fellow countrymen into a process where they have to learn the answers to some very obvious questions of parliamentary procedure. Every one of them relates to the sort of basic questions of democratic procedure that the Soviet Union is relearning, 70 years after its October Revolution.

How do you vote? How do you count the votes? How do you put a motion, and how to do you amend it? How do you catch the Speaker's eye? Perhaps most crucial of all, in a one-party state which has never known anything else, how do you lobby, form groups and factions, and how do you debate and disagree? Dare you do it at all?

That is just what Mr Gorbachev and his newly elected deputies are trying to discover. Only they are doing it before the glaring eye of the television cameras, broadcast live to an astonished audience. They are learning as they go, and it must appear a clumsy sight.

The point is that these things never mattered before. You weighed the votes in the balance, and discarded any that suggested a hint of disagreement. All the motions, the speakers and their speeches were agreed in smoke-filled rooms beforehand, and the people's representatives simply endorsed the party line, handed down from the Politburo.

Perhaps no one realised quite how different it was going to be. Certainly it looks as if nothing was organised in advance.

The deputies are gathered in a huge, hideous hall, built in the era of Mr Nikita Khrushchev as a modern blot on the historic surroundings of the Kremlin. A massive, glowering statue of Lenin towers over Mr Gorbachev and the presidium, making them look like ants in their labours to revitalise his revolution.

Boris Yeltsin: declined to challenge Mr Gorbachev

The serried ranks of deputies face their leadership in the old style, and each speaker has to join a jostling queue for the podium.

It took the church to complain about the conditions. Metropolitan Pitirim of Volokolamsk Yuriev, who sits in the Congress along with the Mufti of Tashkent, said it was all too undignified, and deputies should apply to speak in writing. Mr Gorbachev suggested that they might install a row of armchairs instead.

And once the speakers get to the front, they cannot decide whether to face their huge audience, or turn to speak to Mr Gorbachev himself, behind them. They spend their time half-twisted in compromise.

As for the President, he swiftly found he could not get through to the speakers from the platform. He tried tapping the microphone, with no effect. So they have installed a mighty electronic bell, which sounds for all the world like the bell to ring out the rounds in a boxing match. And well it might. It came in very useful when an Azerbaijani delegate became very emotional and nationalistic in denouncing an Armenian colleague. He was simply drowned into silence.

Then it took a while for Mr Gorbachev to discover how to switch off his own mike. He could be overheard in the middle of a complex vote, whispering: "Look at poor Leonid Ivanovich (Abalkin - one of his leading economic advisers). Doesn't he look gloomy. He's imagining what it will be like when we come to vote on the budget!"

Discovering democracy must seem dull to some outsiders. It is all about procedure, and little about substance. The old-timers are already distressed. "We will lose face in the eyes of our voters," they shouted.

But the progressives are determined to get every ounce of openness and choice into the system.

A crucial vote came on day one, to decide whether named votes should be held on major issues. "Our electors should know which way their deputies have voted," Mr Sergei Stankevich, of the radical Moscow members, declared. It was lost decisively, with only 431 in favour.

So they are landed with a laborious system of counting every hand in the air. There's no sign of anything automatic. Each teller phones his result to a desk at the front, where a forest of phones and a desk-top calculator eventually produce a result.

What do you vote about? The presidium decided they should vote on whether candidates nominations should be accepted or not. So Mr Alexander Obolensky, who rashly presented himself as a non-party rival to Mr Gorbachev for the presidency, was embarrassingly rejected before he even got into the starting gate.

As for the candidacy of Mr Boris Yeltsin, the only man who could dream of taking a few votes off the Soviet leader, he declined to stand. The deputies were then asked to vote on whether they accepted his withdrawal. Goodness knows what would have happened if they had rejected it.

More important, Mr Yeltsin revealed a crucial contradiction in the system. The Communist Party central committee had decided in advance that only one candidate should stand, he said. So he was bound by the party rules to accept that. So much for choice, for the party still has 86 per cent of the deputies in its ranks.

Yet the debate is gathering pace all the while, and the progressives appear to be picking up steam. Yesterday they won 831 votes for a resolution calling for the law on demonstrations to be suspended, although they were still defeated. It seems as though some of the backwoods people are suddenly discovering that they too can speak out, and vote against the party line.

Perhaps the new discovery of what democracy is all about was best expressed by Mr Stankevich, when he faced a heckler from the hall.

"Shut up!" came the shout from the floor, as the Moscow deputy called for the law restricting political demonstrations to be suspended.

"I was sent here by 103,000 voters," he retorted on the turn. "You haven't got the right to tell me to shut up any more."

MAN IN THE NEWS

Michael Green

TV man who sticks to the businesses he knows

By Raymond Snoddy

Michael Green, chairman of Carlton Communications, the television services group, was irrepressible on Thursday afternoon. The excitement that some people get from winning an Oscar or the 100 metres at the Olympics was in his case generated by the City's reaction to his £500m takeover of UEI, the specialists in digital signal processing equipment for the television and computer graphics markets.

Carlton's share price had dipped 41p on news of the deal but bounced back 30p on Thursday to 838p and rose again yesterday – something he had not expected – on the back of buying from the US and a general favourable verdict from analysts.

For Mr Green it was an exciting time as the congratulations came in and he expounded his conviction that the UEI deal was going to be vital for the future of Carlton. "There is so much in that company to get extraordinary growth from, and there is no need to think of any acquisitions for the foreseeable future," he says. The purchase came less than nine months after he bought Technicolor, the US video duplication and film processing company for $780m.

He is the sort of hands-on manager who enjoys reading management accounts. "I like the numbers. They mean something to me, they have relevance," he says, although he also enjoys reading Freud.

With his concentration on assets, cash flows and share prices, it is easy to forget that Mr Green, now 41, is emerging as one of the most influential figures in British television. Apart from his ambitions to become a broadcaster, he is being courted by ITV companies looking for sugar daddies to back their bids to retain their franchises next time round through the competitive tendering process.

Mr Green was talking in the all-white office of his headquarters in central London, almost every wall of which displays modern art. Behind his unnaturally uncluttered desk an ancient poster proclaims that Mickey Mouse is now in Technicolor. He agreed, reluctantly, to an on-the-record interview but his conversation was peppered with "unattributable" and "off-the-record," as he slipped his shoes off and fiddled with a clown's nose left over from Comic Relief.

Despite becoming more of a public figure as chairman of Carlton and chairman of the Open College, the distance learning project, Mr Green insists: "I want and will insist on keeping my private life private." He has a fastidious horror of the myths that grow up around people who build a £1.7bn company such as Carlton.

There were no rags in the background of Michael Green or his brother David, who runs Colefax and Fowler, the publicly quoted furnishings and wallpaper group. Their father, Cyril, ran Tern Shirts, also a public company, and the brothers knew from an early age that they were going into business, although their mother, a psychologist, would probably have preferred the professions.

A few weeks holiday experience as an assistant in a shoe shop convinced Michael Green that retailing was not for him – he found having to wait for the customer to come to him too passive. At 17, after leaving school half way through A-level economics, he went to work for a printing company to learn the business. In 1968, with his brother, he set up a printing company, Trident Industries. "We generated some money, we borrowed some money and we knew what we were doing," he says.

Photography and exhibitions were added, but ever since Carlton came to the Stock Exchange in 1983 through the reverse takeover of Fleet Street Newsletter, a share-tip sheet later sold, it has concentrated on providing as wide a range of services for the television industry as possible – everything from production of television commercials to the latest editing equipment.

Mr Green attributes much of his success to being narrowly focused and sticking to businesses he knows and can control. The insight on which the foundations of Carlton's real growth were laid was a belief that television was an expanding and near recession-proof industry.

Although fascinated by satellite television for more than five years he has held back from any big gambles and has preferred the safe cash flows from less grandiose ventures such as running prop hire businesses for both television and films.

There was a write-off when he strayed briefly into a satellite dish selling business and he led a consortium which applied unsuccessfully for Britain's direct broadcasting by satellite franchise. The Independent Broadcasting Authority chose British Satellite Broadcasting instead and the rejection still rankles. Mr Green believes BSB won the satellite franchise through the backing of Independent Television News for Now, its news channel. ITN pulled out and now BSB has dropped plans for a separate news channel.

"I accept that some television stations change once they get on the air. This is the first time it's happened before they get on the air," says Mr Green.

The next big item on Carlton's agenda is the round of competitive tenders that will get under way in 1991 following the Government's new broadcasting bill. As one of the supporters and beneficiaries of deregulation of television he is, none the less, opposed to government plans for highest bid auctions. "Carlton now understands the values and costs (of television) and is not interested in auctions with silly sums of money," he says.

Mr Green argues that Mr George Russell, chairman of the IBA and of the new Independent Television Commission, should be given maximum flexibility to take "quality of money" and of programmes into account in the competitive tenders.

Carlton is already the UK's largest independent television production company through its Zenith subsidiary, but does not control any broadcaster. An attempt to take over Thames Television in 1985 was blocked by the IBA although Carlton has a 20 per cent stake in Central, the Midlands ITV company.

There is little doubt that Mr Green will go for one of the new commercial franchises, but he is waiting to see the fine print of legislation before showing his hand. It could be Central or Thames. But the odds are that he will eventually move out of the lucrative television backroom to become a fully fledged broadcaster.

LETTERS

No instant solution

From Mr Lucien Gubbay.

Sir, Though former terrorist leaders do often end up as "statesmen," Israeli reluctance to accept Mr Arafat as someone with whom they can now do business should be clearly understood.

Over half Israel's Jewish population consists of former refugees from Arab countries, now resettled. Many witnessed the destruction of their own ancient communities (founded in the near east long before the coming of the Arabs in the seventh century) as part of the price exacted for establishing the State of Israel. Most of the remaining population have the closest personal links with the European holocaust.

The cynical maintenance and manipulation of Arab refugees for so long by some of the richest, most arbitrary and corrupt rulers of the area is seen with clear eyes in Israel. The almost gleeful obsession of the European media with just one side of the refugee equation of wrongs is understood only in terms of inherited prejudice so deeply rooted as often to be unconscious.

Britain partitioned Palestine for the first time in 1921, by carving out the present Kingdom of Jordan. Since then the remaining Palestinian Arabs have been cursed with disastrous leaders. With each short-sighted rejection, with each battle, and each war, they lost more and more. Now they have nothing left.

Israelis identify Mr Arafat and the PLO with 40 years of unremitting hostility, with the massacre at the Munich Olympics, the murder of children at Ma'alot, the Achille Lauro and much more. Let us hope that he has indeed changed, and can deliver. But we should not expect the Israelis to accept this – yet. Indeed, Mr Arafat's present tactic of sending children armed with rocks and petrol bombs to provoke and do battle with armed troops, though brilliantly successful in terms of the "media war," does not inspire confidence.

If only the Palestinian Arabs would abandon violence, accept the free elections now offered and some local autonomy to start with, so much more could follow. If the millions of pounds being squandered on the armed struggle were diverted to peaceful development, and if its paymasters devoted a small proportion of their huge unearned wealth to that purpose, no one can doubt that the natural ability of the Arabs would gradually achieve that dignity for which they rightly yearn.

Alas, I do not believe it will happen.

L.E. Gubbay,
Canada House,
Blackburn Road, NW6

'Organic' food is different

From Mr George McRobie.

Sir, Ministers under as much pressure as Mr Nicholas Ridley, the Environment Secretary, must be forgiven the occasional ill-informed remark. But his reported statement to farmers about organically-produced food (May 11), that "I personally view it as a way for you to rip off the consumer by charging more for identical produce," passes the bounds of permissible misinformation.

Food produced without the use of chemical pesticides, herbicides, fertilisers or other chemical additives is in such brisk demand on both sides of the Atlantic that its market price is well above that of chemically-grown food.

Opponents of the free market will be pleased to hear him describe its normal functioning as a "rip-off."

Mr Ridley recognises that farm chemicals pollute the environment, but seems to hold the notion that chemically and organically-produced food are "identical". It is not only their different chemical content that distinguishes the two: their quality is also significantly different, in that chemically-grown food generally contains up to 20 per cent more water – that is, 20 per cent less nutritional matter, for any given weight, than organic food.

George McRobie,
Soil Association,
86 Colston Street,
Bristol, Avon

For whom license fees toll

From Mr David Parker.

Sir, Wonder grows as discussion continues over the future of the UK road system.

Clearly there has to be additional funding for new and (I hope) better roads, but I believe the solution of tolls, suggested this week by Mr Paul Channon, the Transport Secretary, would simply create feelings of further contempt in the motorist who constantly wonders where his road fund license is being spent.

The Swiss way is better: in Switzerland an additional license fee has to be paid for the use of motorways. Collection of this fee could be incorporated with the current road fund license for resident drivers in the UK, and for foreign vehicles at the port of entry.

I estimate that, at just £10 per vehicle, it would generate more than £300m a year. This would cover the costs of Mr Channon's "private" road proposals in less than 10 years.

David Parker,
34 Illingworth Way,
Foxton,
Cambridge.

Compound counts

From Mr A.E. Gottesman.

Sir, Audrey Powell suggests (Weekend FT, May 13) that "sporting estates" have risen substantially in real value between 1945 and the present day.

I am not surprised when less numerate (or less professional) organisations ignore the effect of compound interest, but your journalists should not make this common mistake.

If the executors of Sir Thomas Sopwith's estate succeed in obtaining £15m for his house and 2,000 acres in Hampshire, the compound annual rate of return on the investment of £130,000 made in 1945 will be just under 11.4 per cent.

As Barry Riley points out (May 13), inflation in the UK has averaged 8.7 per cent during the last 25 years. Thus the real increase in value of "sporting estates" may be no more than 2.7 per cent a year.

When inflation persists at the rates permitted (in some cases, encouraged) since the Second World War, your writers should use the terms "historic pound" and "present-day pound" when comparing any monetary values more than 10 years apart. A specific unit of money loses half its value in that time.

A. Edward Gottesman,
Gottesman Jones & Partners,
Aldwych House, WC2

The ups and downs of the English legal system

From Mr J. Stanley Heath.

Sir, I congratulate A.H. Hermann, your legal correspondent, on "The ups and downs of the English legal system" (May 9), in which he says that the greatest shortcoming is the denial of justice to those not poor enough for legal aid, nor rich enough to risk the costs.

What he overlooks is that justice delayed is justice denied. This is because the procedural system is unbelievably archaic and slow, a fact frequently exploited by rich and powerful defendants (like Government departments, industrial concerns, local authorities, insurance companies) in the hope that the opposition's determination and finances will evaporate.

This is a disgrace. The procedure in UK courts needs modernising and streamlining so that litigation can be brought to a speedy trial.

Mr Hermann also overlooks the extent to which the legal system is and has been underfunded by the Treasury, which finances the Lord Chancellor's department.

The Beeching recommendations brought into existence the crown court system, which does not work as well as it should because court offices are grossly understaffed to cope with the volume of work – to the considerable annoyance of litigants who, of course, blame the wretched legal profession for it.

The plain fact is that there is a shortage of judges both in the high courts and the crown courts, and a shortage of district registrars, high court masters, taxing masters – so that everyone has to wait. It is not good enough.

The Benson committee made some sensible recommendations after thorough research – precious few of which recommendations have been implemented. The Civil Justice Review was set up on February 6 1985; the report of the review body was dated April 28 1988 and presented to Parliament in June 1988. It identified the main deficiencies in civil justice: procedural delays, the shortcomings of judicial administration and access to justice, and published a unified list of recommendations which the Lord Chancellor's green papers appear totally to have disregarded.

The review body pointed out that while reductions in delay and complexity should bring down the unit cost of cases, the reforms they advocated would be likely also to lead to an increase in the volume of business. It suggested that any increase in the overall cost of non-judicial court service, of which staff costs are the main component, should be recovered in the form of court fees, which are really now almost as prohibitively expensive as stamp duty.

In my days as an articled clerk – before the Second World War – it cost ten bob to issue a writ. It now costs £60 – a 3,000 per cent increase.

I wonder if it would be possible to persuade Lord Mackay, the Lord Chancellor, to point out to Mr Nigel Lawson, the Chancellor of the Exchequer, that he does less than nothing for his enormously expensive stamp duty?

This would be a first step towards persuading Mr Lawson that the amount produced by inflationary stamp duty could be switched over and directed exclusively to additional finance for the Lord Chancellor's department, whose financing is grossly inadequate.

J Stanley Heath,
58A Church Street,
Stoke-on-Trent,
Staffordshire

From Mr R.F. Lawrence.

Sir, Reading A.L. Hermann's "The ups and downs of the English legal system" (May 9), what amazes me is that reform has taken so long.

Surely the administration of justice is the bedrock of democracy. The greatest shortcoming of the present system is denial of justice to the ordinary citizen by the improper use of the legal system to incur enormous expense in time and money – imposed on anyone seeking to obtain justice. It should be written into the law that if a case brought by a plaintiff is not prosecuted within two years it is struck off for "lack of prosecution," and costs awarded to the defendant.

This one simple law would halve the workload of the courts, restore justice to all citizens, and reduce costs to all.

R.F. Lawrence,
No 1 Holding, Long Lane,
Over Peover, Cheshire.

Sun Alliance warning on effects of Magnet buy-out

By David Waller

ONE OF the UK's leading investment institutions launched an attack on the £629m buy-out bid for Magnet yesterday.

Sun Alliance – a 2 per cent shareholder in the Yorkshire-based kitchen furniture company – criticised the leveraged bid as being the thin end of a dangerous wedge for the UK corporate scene.

Mr Geoffrey Brown, managing director of Sun Alliance Asset Management, urged that if the Magnet deal was successful it would lead to a spate of other such deals, thereby denying *institutional investors* the opportunity to invest in "good, well-managed companies" over the longer term.

His comments come at a sensitive time for the bid. It has so far managed to attract nearly 70 per cent support from ordinary shareholders but only 37.9 per cent of the preference offer.

The terms of the preference offer were sweetened with a cash alternative earlier this week but there is still a groundswell of disaffection among institutional investors.

The Magnet proposal is by far the biggest management offer for a quoted company in the UK, far eclipsing Mr Richard Branson's £248m buy-out of his Virgin group late last year.

In the US such leveraged transactions are more common and involve larger companies.

Mr Brown declared that he was "not happy with the directors – people put into the company by shareholders to run *the business – spending* their time putting together an offer for the company in a way that must create conflicts of interest.

"It is ironic that the City should be denounced for its short-termism," he said, "when in this case we are being done out of opportunities for the long term. In the case of Magnet, we're not concerned whether the company has a bad year next year: over the next ten years it will make an attractive investment."

The final closing date for the bid is June 13. Although it would be technically possible for the management team to declare the bid unconditional even now, in practice the required level of acceptances for each category of shares is 90 per cent. This allows Mr Tom Duxbury, chairman of Magnet, to turn the company private and thus obtain optimum financing arrangements.

Mr Colin Keer, managing director of Bankers Trust, adviser to the buy-out team, retorted by saying that "managers should be able to make offers for public companies. They have a duty to behave properly and are probably under fiercer constraints than third parties making bids.

See Lex

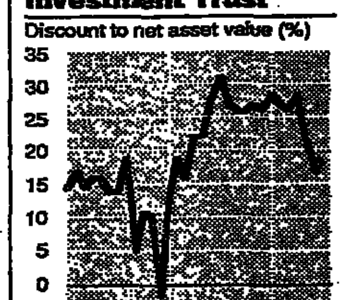
Controlling interest in Sphere up for auction

By Nikki Tait

A CONTROLLING 50.1 per cent interest in Sphere Investment Trust, the £100m-plus investment trust formerly known as TR Natural Resources, is to be sold.

The interest was acquired by Platou, a Norwegian investment company, as a result of a takeover bid for TRNR in September 1987. However, Platou itself was recently taken over by Investa, one of Norway's largest investment companies.

The Sphere stake is *effectively being auctioned* by County NatWest. The advisers said yesterday that they had a very open mind about the possible routes which could be taken. However, it seems that Norwegian tax regulations militate both against a straight liquidation of the trust or unitisation.



Anyone acquiring the entire stake would be obliged to make an offer at a similar level to the remaining minority shareholders.

These holders have had a rather complicated ride in recent times. Platou made its offer just before the stock market crash, and offered 95 per cent of asset value in its own unlisted shares or 94 per cent in cash – terms which did not *compare particularly favourably* with other take-out levels for investment trusts at that time. However, having just topped the 50 per cent level at the first close, Platou immediately closed off the cash offer, leaving the sizeable minority.

It subsequently changed both the investment policy of the trust, and switched the management away from Touche Remnant to a recently-formed investment company called Marathon Asset Management. Sphere holds a 50.1 per cent interest in Marathon.

At May 19, net assets were £109.4m, equivalent to 92.1p a share. Sphere shares rose 6p to 82p yesterday.

Tiphook backs bid for Sealink's parent

By Andrew Hill

TIPHOOK, the UK container company, and Stena, a privately-owned Swedish shipping group, are offering $50 a share for Sea Containers, the Bermuda-based owner of Sealink UK ferries, valuing the whole group at $824m (£519m).

Yesterday, Sea Containers' shares were trading at around $56 on the New York stock exchange, $8 up on the previous close.

The offer will be made *through a new joint company*, Temple Holdings. Tiphook is asking its shareholders to fund its contribution of $426m by buying an issue of convertible loan stock. The issue works out at nine new ordinary shares for every eight held, at 420p a share, against Tiphook's closing price of 493p, down 19p.

Stena will pay the balance of $398m, which includes the offer value of its 8.2 per cent stake in Sea Containers.

Tiphook shareholders will subscribe in two instalments. *The first, at 105p per unit of* stock, will raise about £55.5m and be payable on July 10. The second, at 315p per unit, will raise £179.5m and be payable on January 12, 1990, assuming the Temple offer is successful before then. If the offer fails, Tiphook will use the proceeds of the first instalment to develop its existing businesses and fund other suitable acquisitions.

Tiphook also estimated that its profits before tax had exceeded £17.5m in the year to April 30. That would compare with £10m previously. Earnings were estimated at 43.1p (33.1p) and the group intends to recommend *a final dividend* of 4.85p, which would make a 7p (5.38p) total.

Apart from some 25 per cent of Sea Containers owned by *chairman Mr James Sherwood*, his management and the group's subsidiaries, the company has in the past said it can count on the support of Invesco, an Atlanta-based investment company which holds about 8 per cent of the shares. Mr Robert Montague, chairman of Tiphook, estimated that the acquisition of the Bermuda-based company's container interests would boost Tiphook's share of the world container market to about 9.5 per cent, second only to Itel and Genstar.

Last summer Stena floated off 50 per cent of its ferry operation, Stena Line, on the Stockholm stock exchange. Stena is also involved in the buying and selling of roll-on roll-off car ferries, the operation of a tanker fleet and contracting for the offshore oil industry.

See Lex

Alan Harper

Mr Olssen (left), chief executive of Stena, and Mr Robert Montague, chairman of Tiphook

GEC to buy Metro-Cammell

By Lynton McLain

GENERAL ELECTRIC Company is to buy Metro-Cammell, one of the best known names in railway rolling stock, from Laird Group, for a total of £44.5m.

Metro-Cammell, which makes trains for London Underground, British Rail and Hong Kong metro companies, made a profit of £3.2m on turnover of £97.9m in 1988. It is the first of Laird's two transport equipment companies to be sold under proposals announced in December.

The other is the heavily loss-making double decker buses, midi buses, taxis and motor spares company, Metro-Cammell Weymann. It is expected to be broken up into its constituents and sold "within weeks," Mr Charles Barton, *Laird's corporate development* manager, said yesterday.

The proceeds from the disposal will be reinvested by Laird in its remaining businesses: plastic and rubber sealing systems for the European automotive industry, window and door components for the UK and US building industries, and US printing and packaging.

The agreement to buy Metro-Cammell was reached yesterday between Laird and GEC Power Systems, one of the two biggest subsidiaries of GEC, with sales of £1.2bn and 30,000 employees.

The purchase will involve GEC *making an initial payment* of £35m in cash on completion and further conditional payments totalling £9.5m if Metro-Cammell wins certain orders it is seeking. The agreement is conditional on Office of Fair Trading clearance.

GEC Power Systems and Metro-Cammell will eventually become part of the Anglo-French joint venture company, GEC-Alsthom. This is owned by GEC and the parent company of Alsthom, Compagnie Générale d'Electricité.

Jarvis Porter suffers 33% fall to £2.03m

By Maggie Urry

JARVIS PORTER, the label and flexible packaging maker, suffered a one-third fall in pre-tax profits to £2.03m in the year to February 28.

However, Mr Paul Jarvis, chairman, pointed out that this disguised a substantial recovery in the second half. Interim pre-tax profits were £508,000 (£1.4m). The final dividend was maintained at 2.6p giving an unchanged total of 4p for the year. The shares were unchanged at 108p.

The results were boosted by *an exceptional* gain of £360,000 (debit £87,000) which was the profit on the sale of the London label plant less the associated moving costs and reorganisation costs in the flexible packaging division. The property profit also lowered the tax charge to 27 per cent.

Mr Jarvis said the year had to be seen in perspective. The flexible packaging side suffered intense competition. After making a loss in the first half it returned to profit in the second half following the rationalisation.

The label business, Jarvis Porter's core activity, had been reorganised, with the relocation of the London factory and significant capital expenditure. This has continued in the current year, and is designed to reduce bottlenecks in the production process. Mr John Barnett, brought in last year to take a fresh look at the label business, has now joined the board.

Capital expenditure totalled £2m in 1988-89 and will reach £2.5m in the current year. During the year Brookside Press was acquired for £2.25m, and made sufficient profits to pay *its financing costs*.

The interest charge rose to £511,000 (£114,000) and gearing was around 50 per cent at the year-end. Mr Nigel Read, *finance director*, said gearing could come down to 40 per cent during the current year.

Helped by the lower tax charge, earnings per share fell proportionally less than pre-tax profits to 9p (11.7p).

Kelt in assets sale to Repsol

By Nikki Tait

KELT ENERGY, the oil independent which took over Carless in January in a highly-leveraged £208m offer, yesterday announced the sale of Carless Ltd – the only remaining assets of which are the Carless Refining & Marketing and Carless Petroleum businesses – to Repsol Petroleo, the Spanish oil conglomerate which was partly privatised this year.

The consideration for the Carless Ltd equity is £51.5m. In addition, Kelt is raising around £30m from the remaining assets associated with Carless' downstream businesses. These assets principally comprise receivables, but also equity investments, property and cash.

Together with previously announced disposals, Kelt said from Carless' downstream businesses it has now raised £136.5m, which will go towards repaying debt. It noted that Carless valued its upstream business at £160m in one circular last November, and that the imputed value of £46m for the downstream assets contrasts with the figure actually achieved.

The upstream assets of Carless have already been transferred to Kelt itself.

CRM is principally involved in the refining of North Sea gas condensates at Harwich. It also processes napthenic rich vacuum gas oils. Carless Petroleum distributes and markets petroleum fuels. The book value of the two subsidiaries is put at around £30.8m and the pre-tax profit in the year to March 31was approximately £4.4m.

Kelt added yesterday that it intended to repay existing project debt relating to the Wytch Farm shareholding – also inherited with Carless – and replace it "with a facility on considerably more attractive terms".

Kelt said it expected to repay American Express, the bank which provided a near-£200m loan facility to fund the Carless bid, "substantially more" *than the* £99.2m which is due in mid-June.

See Lex

Freeman moves into Europe with French buy

By Clay Harris

Freeman Group, the insulation specialist, has taken its first step into continental Europe with the acquisition of Ouest Isol, the French market leader in industrial insulation materials for pipes, ducts and tanks.

Freeman is paying a total of FFr 20m (£1.87m) to buy *Ouest Isol from Rhin-Rhône*, the fuel trader and distributor controlled by Bollore Technologies. It expects to improve the 2 per cent margin achieved by Ouest Isol, which reported pre-tax profits of £322,000 on turnover of £16.3m in 1988.

Industrial insulation, a field in which Freeman has limited exposure, accounts for 70 per cent of Ouest Isol's turnover. The balance comes from distribution of materials for structural building insulation.

The Rouen-based company will be put into a new Freeman subsidiary, France Isolation, in which management and employees may eventually hold up to 25 per cent. Mr François *Chombart de Lauwe, Ouest* Isol's managing director, will have a 10 per cent stake.

GPG plunges to $5.3m

By Patrick Cockburn and David Lascelles

GPG, the insurance broking and fund management rump of the former Guinness Peat Group, yesterday reported a fall in pre-tax profits from $22.3m to $5.3m (£3.35m) for the six months to March 31.

After tax and a $1.5m extraordinary credit, profits came out at $4.7m ($13.5m). Earnings per share were 0.97 cents and GPG will pay an interim dividend of 0.37 cents.

GPG, controlled by a consortium of banks led by Samuel Montagu since its largest shareholder, Equiticorp of New Zealand, went into voluntary liquidation in January, has been looking for a buyer since last summer.

Earlier this week, 61 per cent of Guinness Mahon, the merchant bank which was demerged from GPG last year, was bought by Bank of Yokohama. GPG said its exposure to Equiticorp is limited to $5m. GPG has approved in principle the sale of its Fenchurch Insurance subsidiary to management. Negotiations are continuing on price and terms.

In insurance broking, GPG said that the rise in the value of the dollar would help US wholesaling but price competition in the UK would hit retail activities. Lloyd's underwriting agency profits for 1986 are expected to be very good. In fund management, Fortmann-Leff Associates had performed as expected and Management Compensation Group performed slightly better than last year.

The consortium of 28 creditor banks which controls 61 per cent of GPG has asked N.M.Rothschild to find a buyer for their stake. The banks have an exposure of £490m to Equiticorp. Having received about £58m from the Guinness Mahon sale, they need £40m from GPG to cover themselves.

Ferry Pickering

Profits before tax of the Ferry Pickering Group totalled £1.32m on a turnover of £9.83m for the half-year ended February 28. For the six months to end-December 1987 taxable profits were £1.42m on turnover of £8.72m.

The interim dividend, meanwhile, goes up from 1.9p to 2.1p.

Unilever buying another US ice cream business

By Christopher Parkes, Consumer Industries Editor

Unilever, the Anglo-Dutch consumer products group, is to extend its US ice cream business with the purchase of Gold Bond, manufacturer of the Popsicle ice lolly.

Gold Bond is a private company based in Wisconsin, and employing 1,300 people in six factories. Turnover last year was $175m, equal to £109.55m. Terms of the deal were not disclosed.

Thomas Lipton, Unilever's US foods subsidiary, has worked closely with Gold Bond for more than five years, contracting it to manufacture and distribute ice cream.

British Aerospace

Foreign-held shares in British Aerospace were still above the 15 per cent Government-imposed limit, the company announced yesterday. BAe was told by its registrars that on *May 26* 38.54m shares, representing 15.05 per cent of the equity, were in foreign hands.

Kleen-e-ze profits dive

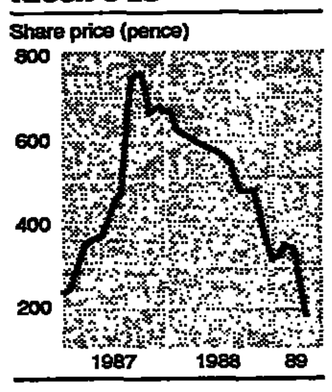
By Clay Harris

KLEEN-E-ZE Holdings, the housewares distributor and industrial seals manufacturer which expanded into direct marketing last year with the acquisition of NSP Group, saw pre-tax profits plummet to £105,000 in the six months to March 3.

The group's shares plunged 70p to 175p yesterday, to *increase the total loss for the* week to 130p.

Kleen-e-ze blamed the decline, from £865,000 in the comparable six months, on the September postal strike's disruption of NSP's direct marketing activities.

Turnover rose to £25.2m (£21.2m). Earnings per share fell to 1.12p (9.83p). There is no interim dividend, but Kleen-e-ze said it intended to pay a final of 8.5p. This compares with *total payments of 12p* for the 17 months to September 2 1988.



BDDP extends offer for BMP

By Nikki Tait

BDDP, the French agency group which is waging a hostile bid for London-based Boase Massimi Pollitt, yesterday extended its £118.5m offer for two weeks – to June 9.

This was taken by the market as a clear indication that BDDP has not lost interest, despite the fact that its 345p-a-share cash offer has been overtaken by BMP's white knight, the larger US-based Omnicom group. Omnicom is offering 385p a share. BMP shares rose 8p to 375p.

ANNUAL MEETINGS

Son pleads for clemency for Saunders

By David Waller

THE 23-YEAR-OLD son of Mr Ernest Saunders, the former chairman of Guinness, stood up at the drinks company's annual general meeting yesterday and appealed to the current management to stop harassing his father in the law-courts.

Mr James Saunders, a trainee barrister, urged *his* father's boardroom successors to stop a civil action launched against him in the wake of the controversial takeover of Distillers three years ago.

"Guinness has spents millions of pounds of shareholders' money pursuing this action," he said, "and I want to know how they can justify the litigation in view of the fact that my father has no money and is on legal aid.

"I submit that this action is not only vindictive but is a futile waste of shareholders' money and management time. My family, quite apart from my father, continues to be harassed by the company solicitors..."

"The board can rest assured that I will ask my father to ask for damages for our own mental suffering and distress to the claim for wrongful dismissal."

Guinness has sued Mr Saunders Snr and Mr Tom Ward, a former Guinness director, over a £5.2m payment from Guinness to Mr Ward, allegedly approved by Mr Saunders. This case is separate from the criminal charge brought against him by the Serious Fraud Office.

Sir Norman Macfarlane, Guinness chairman, said that the company was duty bound to pursue the action in the interests of shareholders. However, many of those gathered at London Hilton Hotel yesterday expressed their support for Mr Saunders and his son.

On the separate issue of *compensation for former* Distillers shareholders, Guinness said that it had been working with the executive of the Takeover Panel with a view to reaching an "equitable" solution. An announcement as to the outcome could be expected soon.

● Sir Ian MacLaurin, chairman, told Tesco shareholders that the food retailing group was urgently considering how to make the contamination of products by so-called "consumer terrorists" more difficult and, ideally, impossible.

He said the group was working with its own-label manufacturers to review all manufacturing processes and packaging techniques, and where appropriate, making changes over the next few months.

The business had "never been in better heart", he said, and the group would be opening 60 new stores over the next three years.

The group's warehousing was being completely reorganised into a single, integrated system with composite warehouses for all categories of food product. Computers for ordering were being installed in stores – there would be 209 by the end of the financial year. Electronic Point of Sale would be in 105 stores by then.

Sir Ian maintained that Tesco had a good record in its concern for the environment and healthy eating. It launched the Tesco Cares environmental *initiative earlier this year* and was the first national company to offer lead-free petrol at all its filling stations by Budget Day. CFCs have been banned from its shelves and the group is selling increasing quantities of organic fruit and vegetables. More recyclable materials were being used in its packaging.

● NMW Computers shareholders were told by the chairman that the company, which provides computer accounting services and systems and had been heavily hit by the crash, had traded profitably so far this year and that borrowings were steadily being reduced. "To achieve this," he said, "overheads have been cut by more than one-third." The group had increased spending on development and sales of new products and services for both existing and new markets. This was already paying off, and he was confident that, if the year continues in the same vein, NMW would return to profitability.

● The chairman told shareholders in Liberty, the retailer, that the improvement in sales and wholesale orders he referred to in his 1988/89 statement had been maintained in April and May. He was confident for a satisfactory performance in the first half, and said that in the current economic climate, it was far too early to make a forecast for the full year.

● "We are beginning to see a slowdown *in activity in one or* two of our companies which supply consumer durable manufacturers," reported Professor Roland Smith, chairman, to shareholders of Senior Engineering Group, the trader in engineering products. However, activity generally continued at a good level, he said, and the board was particularly pleased to see the benefits from the acquisition of Foster Wheeler.

● Shareholders of Dawson-group, the commercial vehicle rental and contract hire group, were told by the chairman that, although it was till to early to predict the results for the year as a whole, the directors must naturally be somewhat cautious about the outcome. Utilisation levels in the first quarter were lower than in the comparable period and, due to competitive pressures, charges could not be raised sufficiently to maintain margins in this sector of the fleet. Other divisions had traded in line with budget, except in short-term rentals, where sales had increased by more than 40 per cent.

Echoes of the dispute about whether to merge with five Lloyds Bank businesses were heard at yesterday's annual general meeting of the Abbey Life Group, the financial services company, writes John Thornhill. Some shareholders expressed their continued opposition to the merger – which was initially rejected by an extraordinary general meeting and only approved at the second attempt late last year.

But Mr Michael Hepher, chairman (above), said that after five months of working with Lloyds he was more convinced than ever that the decision to merge was a sound one and that the prospects for earnings per share growth were significantly greater than before.

Commenting on prospects in the current year, however, he said that those parts of the group's business relating to the housing market would produce a dull performance. "Some signs of this were becoming apparent at the time of the merger but the extent of the housing market downturn has proved to be greater than anticipated," he said.

He added that the performance of other parts of the business were matching expectations and overall the 1989 results would be "reasonable in the circumstances."

The shareholders also approved resolutions changing the group's name to Lloyds Abbey Life, allowing shareholders to receive extra shares instead of dividends, and making an ex gratia payment of £10,000 to Mr Robin Baillie, a former director who resigned in December. The last resolution was challenged from the floor but passed by a vote of 15 to eight.

Thos.Jourdan acquires Room Outside for £0.8m

By John Ridding

THOMAS JOURDAN, the consumer products group, has acquired Room Outside, a conservatory supplier, for £780,000, *but* warned that profits in the first half, to the end of June, would show a slight fall.

The company said that "at the end of the first quarter the trading of the subsidiaries represented a mixed picture and we would expect the result for the period to be slightly lower than the corresponding period."

Mr Keith Whitten, chairman, added, however, that the first half is traditionally volatile and is not a reliable guide to the likely outcome for the full year.

The expected shortfall is the result of the slowdown in consumer expenditure which has become apparent over recent months. In response, retailers have been de-stocking.

Mr Whitten said that the subsidiaries affected were Corby Trouser Presses and Suncrest, which manufactures interior furnishings. However, Woodstock, the kitchen furniture manufacturer, is said to be doing well.

Room Outside, which supplies traditional timber conservatories, reported pre-tax profits of £240,000 in 1988 on turnover of £1.4m. At the end of the year, net assets stood at £177,149.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Eastern Produce ......fin	8.5	July 21	7.5	11	10
Ferry Pickering ......int	2.1	-	1.9	-	5☆
GPG ......int	0.37‡	-	2.07†	-	1.74♠
Hewtel Whiting ......fin	0.1	Aug 14	4	0.1	4
Isopad Intl ......fin	3.5	-	-	5	-
Jarvis Porter ......fin	2.6	July 28	2.6	4	4
Kelsey Inds ......int	4.125	-	3.75	-	11.25
Widney ......int	0.5	Aug 8	0.5	-	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆For 14 months.‡Cents. ♠Pence.

MARKET STATISTICS

Economic Diary

TODAY: Defence secretaries of Pakistan and India to discuss continuing military confrontation in Kashmir.
TOMORROW: Madagascar parliamentary elections. Official results of Bolivia's general election.
MONDAY: Summit of NATO heads of government in Brussels (until May 30). European Community industry council meets in Brussels. Start of two-day meeting of the European Community agriculture council in Brussels.
TUESDAY: Threatened bus and London Underground strike. Confederation of British Industry publishes monthly trends enquiry (April). New vehicle registrations (April). US single family home sales (April). Mr George Bush, President of the US, on visit to West Germany (until May 31). Opening of 35-nation human rights conference in Paris. Mr Eduard Shevardnadze, Soviet foreign minister, is expected to address the opening session.
WEDNESDAY: UK banks' assets and liabilities and the money stock (April). Sterling commercial paper (April). London sterling certificates of deposit (April). Bill turnover statistics (April). US leading indicators (April); factory orders. European Community economic and social ministers in plenary session in Brussels (until June 1). OECD ministers meet in Paris (until June 1). President Bush visits London (until June 1). Deadline for the General Electric Company of the UK and Siemens of West Germany to reach agreement with the British Government on conditions for renewing their bid for Plessey.
THURSDAY: Investment intentions of the manufacturing and service industries (Spring survey). US construction spending (April), first quarter production and costs. OPEC ministers meet ahead of full meeting on June 5. Mr Alfredo Cristiani, President-Elect of San Salvador, takes office. Mr Peter Clowes, financier, appears in court on remand after collapse of Barlow Clowes. Women's Institute holds annual meeting at the Royal Albert Hall. British Telecommunications and Storehouse publish preliminary figures. Tolley Conferences hold conference "Capital gains tax for the 1989 tax adviser" at the London Press Centre.
FRIDAY: Company liquidity survey (first quarter). UK official reserves (May). Capital issues and redemptions (May). US employment data (May). Group of 10 finance ministers meeting in Brussels. Ministerial meeting in Brussels between European Community, African, Carribean and Pacific countries (until May 5). Deadline of share offer for the 13th century Mappa Mundi.

BANK RETURN

BANKING DEPARTMENT	Wednesday May 24, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,443,000		
Public Deposits	105,805,011	-	588,919
Bankers Deposits	1,318,175,580	+	34,121,937
Reserve and other Accounts	2,268,745,297	+	393,108,561
	3,707,278,888	+	426,639,579
ASSETS			
Government Securities	940,724,187	-	3,699,532
Advance and other Accounts	1,402,093,851	+	705,693,006
Premises Equipment & other Secs	1,360,485,866	-	266,338,310
Notes	3,765,673	-	9,007,036
Coin	209,811	+	8,549
	3,707,278,888	+	426,639,579
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,746,234,327	+	289,007,036
Notes in Banking Department	3,765,673	-	9,007,036
	14,750,000,000	+	280,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	13,898,298,949	+	196,850,098
Other Securities	840,685,951	+	83,149,902
	14,750,000,000	+	280,000,000

EUROPEAN OPTIONS EXCHANGE

Series	Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS : 38,907

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*13	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	14
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe Guarantee	15½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs	14
Bank Hapoalim	14	First National Bank Plc	14	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co	14	TSB	14
Bank of Cyprus	14	● Robert Fraser & Ptnrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co	14		
Brit Bk of Mid East	14	Hongkong & Shanghai	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd	¶13.75		
City Merchants Bank	14	Mount Banking Corp	14		
		Nat Bk of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sweeper 8.5%, Top Tier-£10,000+ Instant access 12.1% ¶ Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section.

	Friday May 26 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu May 25 Index No.	Wed May 24 Index No.	Tue May 23 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
1 CAPITAL GOODS (205)	981.29	+0.5	10.37	3.95	11.89	12.70	975.96	969.53	978.40	755.87	1005.51	19/5	775.54	3/1	1038.07	16/7/87	50.71	13/12/74
2 Building Materials (29)	1249.97	+0.4	11.37	4.09	10.86	17.91	1245.44	1233.84	1247.53	984.53	1287.14	19/5	939.06	3/1	1381.08	16/7/87	44.27	11/12/74
3 Contracting, Construction (37)	1704.00	+0.6	13.22	4.12	9.89	29.32	1693.15	1682.80	1717.56	1564.99	1801.66	14/3	1468.31	3/1	1951.50	16/7/87	71.48	2/12/74
4 Electricals (9)	2841.96	+1.0	8.69	4.03	14.28	49.45	2813.29	2815.67	2846.29	2055.60	2951.80	19/5	2294.30	3/1	2951.80	19/5/89	84.71	25/6/62
5 Electronics (30)	2265.25	+0.4	8.46	3.00	15.35	14.70	2256.10	2226.99	2227.45	1591.67	2308.22	19/5	1776.44	3/1	2308.22	19/5/89	1229.01	8/10/85
6 Mechanical Engineering (54)	530.25	+0.9	9.73	3.87	12.64	7.62	525.59	521.62	527.63	386.35	536.68	19/5	486.34	3/1	544.57	14/10/87	45.43	5/1/75
8 Metals and Metal Forming (7)	550.09	-0.2	14.16	5.44	8.00	1.84	551.23	550.31	553.39	456.58	562.47	19/5	452.62	3/1	596.67	9/10/87	49.65	6/1/75
9 Motors (17)	328.78	+1.8	11.37	4.62	10.30	6.69	322.82	322.12	324.01	269.57	329.74	19/5	258.24	3/1	411.42	13/10/87	19.91	6/1/75
10 Other Industrial Materials (22)	1606.24	+0.1	9.37	4.22	12.75	25.11	1604.49	1606.23	1626.84	1252.60	1674.29	19/5	1311.63	3/1	1736.80	22/9/87	277.55	15/1/81
21 CONSUMER GROUP (187)	1219.35	+0.4	9.03	3.65	13.85	13.82	1214.70	1209.93	1220.48	1066.97	1254.08	19/5	1016.74	3/1	1406.32	16/7/87	61.41	13/12/74
22 Brewers and Distillers (22)	1310.71	-0.3	10.37	3.69	12.12	16.42	1314.96	1304.85	1303.96	1113.88	1364.69	14/3	1112.42	3/1	1364.69	14/3/89	69.47	13/12/74
25 Food Manufacturing (20)	1065.66	—	9.61	3.88	13.04	14.86	1065.18	1055.33	1071.81	947.70	1102.21	19/5	926.04	3/1	1102.21	19/5/89	59.67	11/12/74
26 Food Retailing (15)	2224.63	+0.2	8.80	3.33	14.95	17.33	2219.81	2204.15	2231.48	2001.40	2268.79	19/5	1784.64	3/1	2649.96	16/7/87	54.25	11/12/74
27 Health and Household (14)	2250.95	+0.1	6.59	2.63	17.22	14.41	2247.92	2266.18	2298.70	1767.32	2328.78	19/5	1778.20	3/1	2699.85	16/7/87	175.38	28/5/80
29 Leisure (33)	1671.40	+1.2	7.38	3.27	17.03	21.13	1652.28	1638.26	1649.21	1288.68	1703.94	19/5	1346.22	3/1	1703.94	19/5/89	54.83	9/1/75
31 Packaging & Paper (15)	578.43	+1.2	9.99	4.20	12.59	7.10	571.69	569.74	573.70	490.43	687.36	8/2	523.08	3/1	739.48	16/7/87	43.46	6/1/75
32 Publishing & Printing (19)	3540.61	-0.2	9.20	4.52	13.64	44.70	3547.83	3541.25	3568.69	3391.91	3916.24	8/2	3236.76	4/1	5070.66	5/10/87	55.08	6/1/75
34 Stores (34)	817.29	+1.3	10.91	4.36	12.01	11.48	806.48	802.69	808.40	889.22	848.70	19/5	679.97	3/1	1160.58	29/7/87	52.63	6/1/75
35 Textiles (15)	548.11	+0.8	10.93	5.25	11.02	6.92	543.79	539.67	536.02	582.56	548.22	19/5	464.58	[illegible]	914.52	2/10/87	62.66	11/12/74
40 OTHER GROUPS (94)	1105.83	+0.1	10.06	4.15	12.09	10.43	1104.89	1106.39	1115.99	855.23	1130.39	19/5	896.15	3/1	1192.48	8/10/87	58.63	6/1/75
41 Agencies (18)	1406.41	+0.3	6.68	2.33	18.67	14.91	1402.49	1397.76	1406.93	1127.03	1413.81	19/5	1030.84	3/1	1795.57	17/7/87	870.35	4/12/87
42 Chemicals (22)	1264.99	-0.5	11.18	4.66	10.56	26.31	1271.14	1274.09	1277.91	973.40	1284.64	19/5	1026.37	3/1	1545.46	5/10/87	71.20	1/12/74
43 Conglomerates (12)	1600.94	+0.2	10.47	5.00	11.24	9.84	1597.89	1590.45	1596.31	1143.43	1621.44	19/5	1254.94	3/1	1621.44	19/5/89	975.19	10/11/87
45 Transport (13)	2487.72	+1.1	8.33	3.53	15.59	22.16	2459.84	2449.36	2455.68	1912.57	2499.47	19/5	1836.25	4/1	2499.47	19/5/89	90.80	29/6/62
47 Telephone Networks (2)	1114.26	-1.3	10.54	4.22	12.34	0.00	1128.73	1159.78	1153.44	927.84	1179.42	18/5	1002.43	3/1	1274.14	9/6/87	517.92	30/11/84
48 Miscellaneous (27)	1512.07	+1.8	10.60	3.92	10.71	22.24	1485.57	1486.07	1516.65	1122.92	1537.15	14/3	1183.56	5/1	1773.70	5/10/87	60.39	6/7/75
49 INDUSTRIAL GROUP (486)	1148.27	+0.3	9.70	3.88	12.73	12.92	1144.32	1140.68	1150.72	938.22	1177.70	19/5	935.74	3/1	1268.86	16/7/87	59.01	13/12/74
51 Oil & Gas (14)	2023.80	+0.3	10.27	5.48	12.93	51.08	2017.32	2012.30	2016.85	1777.89	2049.53	19/5	1725.48	[illegible]	2458.68	16/7/87	87.23	29/5/62
59 500 SHARE INDEX (500)	1222.91	+0.3	9.78	4.08	12.76	16.01	1218.75	1214.97	1224.65	1009.30	1252.24	19/5	1082.81	3/1	1369.88	16/7/87	63.49	13/12/74
61 FINANCIAL GROUP (123)	738.60	+0.1	—	5.24	—	15.68	738.12	738.76	744.94	683.77	776.56	8/2	670.86	3/1	896.67	13/10/87	55.88	13/12/74
62 Banks (8)	729.38	-0.7	24.48	6.56	5.37	21.71	734.49	738.29	744.13	642.24	788.44	8/2	657.74	3/1	898.38	16/7/87	62.44	12/12/74
65 Insurance (Life) (8)	1053.91	+0.3	—	5.66	—	29.86	1051.14	1039.94	1056.98	969.41	1121.53	23/3	933.96	5/1	1285.72	9/10/87	44.88	2/1/75
66 Insurance (Composite) (7)	583.74	+0.8	—	5.87	—	16.75	579.38	581.56	585.29	528.87	611.64	8/2	528.72	3/1	707.58	13/10/87	43.96	13/12/74
67 Insurance (Brokers) (7)	994.57	+0.4	7.96	6.29	16.81	27.06	990.56	984.80	989.92	970.83	1071.22	8/2	916.68	3/1	1399.56	17/7/87	65.86	16/12/74
68 Merchant Banks (11)	331.28	+1.0	—	4.55	—	3.70	328.04	329.13	330.37	349.81	354.66	15/2	318.05	3/1	547.59	12/10/87	31.21	7/1/75
69 Property (52)	1317.31	+0.6	6.11	2.81	20.83	6.98	1310.03	1309.31	1318.96	1231.95	1352.49	14/3	1198.13	3/1	1374.86	16/7/87	56.01	20/4/65
70 Other Financial (30)	368.97	-0.6	10.11	5.71	12.51	5.93	371.37	371.27	374.79	380.88	391.49	8/2	342.99	3/1	603.48	16/7/87	33.29	17/12/74
71 Investment Trusts (72)	1152.63	+0.3	—	2.82	—	11.90	1149.37	1149.80	1157.26	854.51	1178.08	19/5	922.04	3/1	1207.90	5/10/87	71.12	13/12/74
81 Mining Finance (2)	617.49	+0.6	10.05	4.12	11.08	10.45	613.95	609.51	621.42	509.79	686.92	13/3	561.50	3/1	727.93	3/8/87	66.31	30/9/74
91 Overseas Traders (8)	1371.55	+0.6	9.98	5.39	11.61	34.12	1363.56	1363.46	1377.38	1094.13	1439.44	10/2	1273.76	3/1	1447.77	7/11/88	97.37	6/1/75
99 ALL-SHARE INDEX (705)	1103.81	+0.3	—	4.22	—	15.85	1100.44	1097.76	1106.73	923.48	1131.41	19/5	921.22	3/1	1238.57	16/7/87	61.92	13/12/74
	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 25	May 24	May 23	May 22	May 19	Year ago								
FT-SE 100 SHARE INDEX‡	2140.3	+3.7	2145.7	2137.6	2136.6	2132.7	2151.6	2169.0	2204.7	1783.7	2204.7	19/5	1782.8	3/1	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

PRICE INDICES	Fri May 26	Day's change %	Thu May 25	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.08	+0.23	117.81	—	4.41
2 5-15 years	133.49	+0.30	133.09	—	4.62
3 Over 15 years	144.45	+0.16	144.22	—	5.92
4 Irredeemables	166.58	+0.05	166.51	—	6.10
5 All stocks	131.18	+0.26	130.84	—	4.78
Index-Linked					
6 5 years	134.80	+0.06	134.73	—	1.36
7 Over 5 years	133.52	-0.12	133.68	—	1.28
8 All stocks	133.51	-0.11	133.65	—	1.27
9 Debentures & Loans	115.01	+0.02	114.98	—	4.33
10 Preference	88.18	—	88.18	—	3.00

AVERAGE GROSS REDEMPTION YIELDS		Fri May 26	Thu May 25	Year ago (approx.)	1989 High		1989 Low	
British Government								
1 Low	5 years	9.71	9.71	8.73	10.39	30/12	8.88	9/2
2 Coupons	15 years	9.30	9.32	9.22	9.54	30/12	8.77	9/2
3	25 years	9.14	9.15	9.03	9.18	24/5	8.73	16/2
4 Medium	5 years	10.82	10.89	9.19	10.96	13/4	9.96	8/2
5 Coupons	15 years	9.74	9.75	9.42	9.82	13/4	9.21	8/2
6	25 years	9.31	9.30	9.21	9.35	30/12	8.85	17/2
7 High	5 years	10.92	11.00	9.28	11.07	13/4	10.13	8/2
8 Coupons	15 years	9.95	9.96	9.56	10.04	13/4	9.41	8/2
9	25 years	9.48	9.46	9.29	9.52	13/4	8.99	27/1
10 Irredeemables		9.16	9.15	8.95	9.21	12/4	8.68	15/3
Index-Linked								
11 Inflation rate 5%	5yrs	3.81	3.80	2.64	3.87	4/1	3.24	9/3
12 Inflation rate 5%	Over 5 yrs	3.70	3.69	3.81	3.79	3/1	3.44	13/3
13 Inflation rate 10%	5yrs	3.05	3.03	1.66	3.05	24/5	2.11	24/1
14 Inflation rate 10%	Over 5 yrs	3.53	3.52	3.64	3.62	3/1	3.28	13/3
15 Debs & Loans	5 years	11.85	11.86	10.20	12.56	12/4	11.47	30/12
16	15 years	11.51	11.51	10.64	11.83	11/4	11.19	1/2
17	25 years	11.16	11.17	10.67	11.33	25/4	10.66	27/2
18 Preference		10.20	10.20	9.66	10.43	30/12	10.00	17/3

[illegible]

COMPANY NOTICES

EDUCATIONAL

PERSONAL

NTT profits tumble 14% as competition mounts

By Stefan Wagstyl in Tokyo

NIPPON Telegraph & Telephone, Japan's largest company, yesterday reported a *14.3 per cent fall in annual* pre-tax profits to Y426bn ($3bn) caused by competition from new companies entering a market which was once NTT's monopoly.

The company, which was reporting results for the year to March, forecast only a marginal improvement in the current year. It said new companies operating in the market since NTT was privatised in 1987 had forced it to cut rates on its long-distance services. It added that new common carriers were advancing aggressively into areas which have been core NTT operations.

NTT said the Recruit scandal, which has led to the indictment of three former executives on bribery charges, had had "almost no effect" on last year's results. However, the *group has been excluded from* several prestigious construction projects. And staff morale has been hit by complaints from customers.

NTT said that although profits were down they were above the Y425bn target set mid-year. Operating revenues slipped 0.2 per cent to Y5,652bn. Operating profits were down 14.2 per cent at Y704.7bn. Net income was Y230.6bn against Y243.2bn, or Y14,782 per share (Y15,592). The dividend is unchanged at Y5,000.

NTT *said it was trying to* increase profitability by introducing new products and services, such as an integrated digital communications network, and by marketing campaigns to encourage more telephone calls.

For the current year, NTT forecasts profits of Y435bn on sales of Y5,628bn. The figures above all relate to the parent company. On a consolidated basis, sales last year were Y5,842bn and profits Y438bn pre-tax. There is no comparitive information, since this is the first time the group has prepared consolidated results.

● KDD, the company which retains a monopoly of international telecommunications in Japan, reported a 10.6 per cent rise in pre-tax profits in the year to March to Y39bn on an increase in sales of 4 per cent to Y258bn. For the current year it forecasts an increase in turnover to Y270bn but a decline in profits to Y32bn, due to substantial enforced rate cuts.

NEC turns in bumper results

By Stefan Wagstyl

NEC, one of Japan's largest electronics combines, lifted consolidated annual pre-tax profits by 83.5 per cent to Y132bn, *due to strong* investment in industrial plant and equipment, especially in Japan.

The group had a bumper year in selling microchips, particularly 1-megabit Dram memory devices. Sales in the semiconductor division rose 22 per cent to Y586bn, helping to boost total group turnover in the year to March by 13.6 per cent to Y3,083bn ($21.7bn).

Overseas sales rose by a modest 4 per cent. NEC said the results were affected by trade friction with both the US and Europe, with increased demands from the US for the opening of markets in Japan and anti-dumping measures imposed in Europe.

In order to counteract the impact of the yen's rise and trade friction, NEC expanded overseas production, especially *for microchips and communi*cations equipment. Yesterday it announced plans to build a Y50bn factory in California to produce 4-megabit Dram memory chips. The plant, to be built at an existing NEC site at Mountain View, will produce 4m to 5m chips a month, making it one of the biggest Dram production facilities in the US. *It is the first 4-megabit plant to* be built in the US by a Japanese group.

After microchips, the fastest-growing division was computers and industrial electronic systems, where sales rose by 18 per cent to Y1,333bn.

For the current year, NEC forecasts sales to rise by 7 per cent to Y3,300bn and profits by 17 per cent to Y155bn.

● Oki Electric Industry, one of Japan's largest makers of telecommunications equipment, reported a sharp rise in unconsolidated profits for the year to end-March to Y17.8bn (Y8.7bn) on sales of Y504bn (Y416bn). It forecast current-year profits of Y20bn on sales of Y540bn.

● Sharp, the consumer electronics company which is a leading exponent of *zaitech* (financial investment), boosted pre-tax profits by 44 per cent to Y55.2bn for the year to end-March, of which about half came from operations and the rest from investments. Sales increased 14 per cent to Y993bn. Sharp forecasts sales of Y1,060bn for the current year and profits of Y66.5bn.

Margins under pressure at Daihatsu

By Stefan Wagstyl

DAIHATSU MOTOR, the Japanese mini-car producer, increased sales by 15 per cent to Y684bn ($4.8bn) in the year to end-March in the face of stiff competition from other manufacturers.

Margins were squeezed and operating profit fell, but this was offset by a rise in non-operating profits, including financial items, which lifted the pre-tax total 14.4 per cent to Y13.4bn. The after-tax profit was up from Y4.1bn to Y6.5bn and the dividend was raised by Y1 to Y6 a share.

Unchanged profits on slightly higher sales are forecast for the current year.

Dresdner Bank over 10% ahead after four months

By Haig Simonian in Frankfurt

PARTIAL operating profits at Dresdner Bank, West Germany's second biggest, rose by more than 10 per cent at parent bank level in the first four months of the year against the figure for one-third of 1988, said Mr Wolfgang Roller, the chief executive, yesterday.

At the annual meeting, Mr Roller said the bank was confident of reaching a good result for the year as a whole. Group partial operating profits rose by almost 5 per cent to DM1.6bn ($802m) last year.

Interest income at the parent bank rose slightly in the four months, despite continued pressure on margins, while fee income had risen substantially.

Demand for borrowing remained heavy thanks to the buoyant economic climate, scotching forecasts by some economists that credit demand – which they hold to be the decisive factor in Germany's rising domestic inflation – has peaked.

Mr Roller stressed the bank would continue to seek co-operative deals or acquisitions as part of its expansion strategy ahead of 1992.

Among its plans is the development of an external sales force to service both the new home finance subsidiary it is creating and broaden its coverage in wider financial services, notably insurance.

Sharp drop in steel unit losses helps boost IRI

By Alan Friedman in Rome

SHARPLY reduced losses from steel subsidiaries helped IRI, the Italian state holding group, to achieve a nearly seven-fold increase in 1988 group net profit to L1,200bn ($831m), compared with L175.4bn a year earlier.

The record profit was struck on group revenues of L59,254bn, up 11.8 per cent. Turnover *from outside of Italy* rose by 9.4 per cent, to L8,308bn.

IRI said its steel holdings made a 1988 loss of L585bn, against a deficit of L1,352bn earlier. This helped industrial activities to record their first overall profit in 20 years – L598bn against a total loss of L374bn.

IRI's three commercial bank subsidiaries – Banca Commerciale Italiana, Credito Italiano and Banco di Roma – produced total earnings of L1,178bn, compared with L740bn.

At the group operating level IRI's gross profit was L12,880bn, a 23.3 per cent increase.

The Rome-based group, which employs a workforce of 417,800 in businesses ranging from the Alitalia state airline to a chain of motorway restaurants, said that in 1988 it was able to finance 78 per cent of total investments of L10,559bn out of cash flow.

The figures, although consolidated at group level, are *preliminary and are still sub*ject to minor revision in a few months' time. It is likely that 1988 will be the last full year IRI provides results under the chairmanship of Prof Romano Prodi, whose seven-year term of office expires this October.

Nestlé shares move blocked

NESTLE, the Swiss foods group, *yesterday* said that changes in its statutes and a capital increase, both approved at the annual meeting on Thursday, have been blocked because of action taken by dissenting shareholders, Reuter reports.

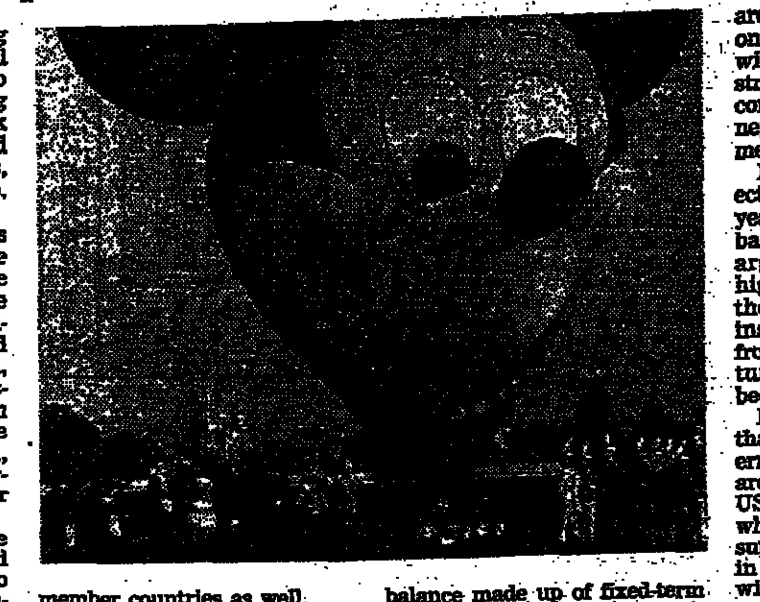
The group, known as Canes (Convention d'actionnaires de Nestlé), representing around 200 shareholders and *0.2* per cent of the capital, presented an objection to the measures to the Vevey registrar of companies, Nestlé said.

Nestlé management is taking all necessary steps to get the objection lifted as soon as possible, the company said.

Canes wants to stop plans to limit individual ownership of Nestlé registered shares to 3 per cent.

Disney prepares for funding ride

Clare Pearson reports on a ground-breaking $1bn share offering



The $1bn autumn offering of shares which will bring Walt Disney to Europe, ahead of the opening in 1992 of a new theme park outside Paris, will be managed by seven financial institutions, it was announced in Orlando, Florida yesterday.

Aside from book runners Banque Indosuez, leading the issue along with Banque Nationale de Paris in France and also selling shares in Belgium and Luxembourg, and S.G. Warburg Securities which, with Credit Suisse First Boston, *will handle the issue in* the UK, Amro Bank will take responsibility for Holland, Deutsche Bank for West Germany and Mediobanca for Italy.

If all goes as planned, the offering will break new ground in that it will be the first to access retail, as well as institutional, investors across European *Community boundaries* simultaneously.

The offer will form just one part of a complicated financing. The FFr14bn ($2.1bn) funding for the construction stage of the park's core is virtually in place.

Potential investors owe the opportunity to help fund the park, which will occupy a 4,800 acre *site 20 miles east* of Paris, to a French Government requirement.

France allowed Disney, the US entertainment group, to acquire the site at prices prevailing for agricultural land in 1971, when it was designated a development zone. But in return it demanded that its own nationals should obtain *the economic benefits and this*, under EC requirements, meant spreading them among other member countries as well.

Details of the offer, for *shares in the operating com*pany Euro Disney SCA, remain sketchy but it is likely to involve a listing in London, Brussels and Paris and would probably use the UK mechanism of an offer for sale in that country.

Disney is certainly keen to make a virtue of necessity and use the offering as yet another means of enhancing awareness of the park among Europeans.

Shareholders will be offered a 51 per cent stake in Euro Disney SCA, which will lease the park from another vehicle, Euro Disney SNC – the freehold owner for the first 20 years and the vehicle containing most of the French franc government and private loan finance.

Walt Disney owns 17 per cent of this vehicle, with the balance made up of fixed-term quasi-equity held by French institutions, for which it is tax efficient.

The recent provision by four banks of a 51 per cent equity stake in Euro Disney SCA has cleared the way for the French Government to *provide* essential infrastructure for the park.

This equity, worth about FFr1bn, will be replaced by the shares issued under the offer, which will raise about $1bn. The extra money will provide funds for more development in addition to the cash generated when the Magic Kingdom, the core of the park, gets under way.

The new shareholders will have severely limited voting rights and will be unable to dislodge Disney as the park *manager* even if its stake falls to nil. They will also receive no dividends before 1992 and there are no perks, such as free days, on offer. In essence what they will get will be an income stream from the park and the continuing benefits of the Disney brand name and management know-how.

Disney hints that the projected 11m visitors in the first year is a conservative figure. It backs up its projection with arguments drawing on the highly accessible location of the park which should, for instance, be just 2⅓ hours from London once the Channel tunnel and connections have been established.

It also points *out that more* than 350m people live in Western Europe, concentrated in an area about a half as big as the US. Yet the US population, *which is nearly a third smaller*, supports two Disney parks – in Florida and California – with nearly 40m visitors a year. Disney adds that demand for such a park is high, with studies showing that in 1985 about 75 per cent of Western Europeans knew about the US parks.

Pricing of the shares will draw on the model of Eurotunnel, with the offer price determined by discounting the future cash flow. The pricing will also have to take into account the possible unpopularity of limited voting rights.

A lengthy research document from S.G. Warburg is expected to open a discussion on the minutiae of the pricing *when it is published* later in the summer.

Given the manifest anxiety of executives at Disney, the most public-relations conscious of companies, that the offer is a success, it seems unlikely to be tightly priced.

Provisional liquidator for Hartogen resource group

By Chris Sherwell in Sydney

ANOTHER of Australia's entrepreneurial business groups has succumbed to chronic over-reach with a *move to appoint a provisional* liquidator for the Hartogen resources group, headed by Mr Pat Burke.

Shares in his three listed companies – Genoa Resources and Investment, Hartogen Energy and Consolidated Petroleum – were suspended yesterday morning. The intention to appoint a liquidator was announced *later*.

The immediate reason was Hartogen's inability to pay the outstanding A$110m (US$83.5m) due on its acquisition of Paringa Mining and Exploration, a UK-registered company with Australian interests, from the Australian Gas Light Company (AGL).

AGL acquired majority control of Paringa in 1987 after it took over TMOC Resources. Paringa in turn held a controlling 49.9 per cent stake in North Flinders Mines, a gold producer.

Mr Burke hit problems when his Genoa group bought AGL's 54 per cent stake in Paringa for around A$137m, and sold it on to Hartogen. The price of A$3.10 per share was far ahead of the market price, and Paringa's shares have meanwhile tumbled to 54 cents.

As a result Hartogen has been unable to raise funds to pay *for the Paringa stake*. After extensions by AGL, payment was due by the end of this month. AGL is now expected to hold on to the stake, and brokers said they expected it to come back on the market.

The debt position of the Hartogen group is not known in detail. AGL holds a 19.6 per cent stake in Hartogen and outstanding loans to the group of around A$36m.

De Crespigny launches Pan Ocean takeover bid

By Chris Sherwell

MR ROBERT Champion de Crespigny, the Australian mining entrepreneur, has moved a step closer to establishing a major gold empire with a bid for control of the 200,000-oz-per-year Mt Leyshon mine.

In a lengthy chain of ownership, Mr de Crespigny's Normandy Resources controls Poseidon, which is funding the bid announced yesterday by its 56 per cent-owned Australian Development (ADL) for Pan Ocean Resources.

Pan Ocean holds 44 per cent of Pan Australian Mining, whose prime asset is Mt Leyshon, a new mine in Queensland with a cap of oxide ore and underlying sulphides. Pan Australian has a 65 per cent cross-holding with Pan Ocean.

ADL's bid of 80 Australian cents a share is well above recent market levels of 60 cents, and values Pan Ocean at around A$87m (US$66m). But Pan Ocean has an estimated A$70m-A$80m of debt.

The bid is subject to a 65 per cent acceptance condition, reflecting the stake held by its controlling shareholder, Mr Bob Bryan. Brokers interpreted as positive the initial response from Pan Ocean, which said the offer was in line with the market value of the group's underlying assets.

Mr de Crespigny, who heads ADL, said a successful bid would be the first step towards *the consolidation of all Poseidon's* gold interests in a single company with overall production of 500,000 oz per year.

ADL's main asset is the White Devil gold mine in the centre of the Northern Territory. Poseidon's key gold interests are the Karonie mine in Western Australia, the Kaltails and Mt Morgan gold tailings operations and a share in Gold Mines of Kalgoorlie.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$363.50	-2.25	$452.5	$412.25	$360.25
Silver Per troy oz	331.60p	+0.45	354.6p	358.85p	322.25p
Aluminium 99.7% (cash)	$2135	-155	$3195	$2610	$1907.5
Copper Grade A (cash)	£1597.0	-45.5	£1266.5	£1982.5	£1597
Lead(cash)	£415	+3	£377	£415	£337
Nickel (cash)	$12650	-350	$15500	$19350	$12450
Zinc (cash)	$1625	-40	£671	$2107.5	$1570.5
Tin (cash)	$9895	-415	£3770	$10760	$7460
Cocoa Futures (Jul)	£809	+71	£925	£900	£715
Coffee Futures (Jul)	£1206	-21	£1059	£1270	£1069
Sugar (LDP Raw)	$284.2	-22.4	$240.4	$315.6	$235.8
Barley Futures (Nov)	£106.20	+0.35	£102.6	£113.50	£100.95
Wheat Futures (Sep)	£115.15	-0.15	£103.35	£121.65	£114.40
Cotton Outlook A Index	77.95c	+0.25	66.1c	77.95c	61.35
Wool (64S Super)	617p	+2	650p	710p	610p
Rubber (Spot)	55.75p	+0.25	85p	64p	55p
Oil (Brent Blend)	$17.625	-0.300	$16.225	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.20v	-.325
Brent Blend	$17.05-7.70q	-0.50
W T I. (1 pm est)	$19.35-9.40v	-0.34
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$241-244	
Gas Oil	$147-149	-0.5
Heavy Fuel Oil	$89-91	-3
Naphtha	$180-182	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.50	-0.75
Silver (per troy oz)♣	525c	-2
Platinum (per troy oz)	$503.75	+9.5
Palladium (per troy oz)	$151.25	+3.40
Aluminium (free market)	$2145	+30
Copper (US Producer)	114½-119c	-1½
Lead (US Producer)	36.5c	
Nickel (free market)	575c	
Tin (European free market)	$9895	-30
Tin (Kuala Lumpur market)	28.23r	-0.57
Tin (New York)	457.0c	-2.5
Zinc (US Prime Western)	85¼c	
Cattle (live weight)†	116.21p	-2.90*
Sheep (dead weight)†	215.15p	-47.54*
Pigs (live weight)†	81.35p	-3.54*
London daily sugar (raw)	$284.2u	+2.0
London daily sugar (white)	$330u	+4
Tate and Lyle export price	£289.0	-1.5
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£131.5	-0.5
Wheat (US Dark Northern)	£129.25u	-0.50
Rubber (spot)♥	55.75p	+0.25
Rubber (Jul)♥	62.25p	-0.25
Rubber (Aug)♥	62.25p	-0.25
Rubber (KL RSS No 1 Jun)	260.0m	-0.5
Coconut oil (Philippines)§	$500u	
Palm Oil (Malaysian)§	$402.5q	
Copra (Philippines)§	$365	-5
Soyabeans (US)	$196.0	-1.5
Cotton "A" Index	77.95c	
Woolops (64s Super)	617p	+7

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. ¶Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jul	17.26	17.67	17.49	17.20
Aug	17.01	17.35	17.16	16.98
IPE Index	17.58	17.39		

Turnover: 3281 (9018)

COCOA £/tonne

	Close	Previous	High/Low	
May	807	815	815	810
Jul	809	820	835	800
Sep	817	835	848	815
Dec	855	877	885	854
Mar	853	870	876	852
May	854	874	880	854
Jul	870	895	895	860

Turnover: 16326 (10439) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 25 981.47 (991.47) 10 day average for May 26 996.75 (946.05)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1219	1219	1219	1200
Jly	1228	1209	1217	1200
Sep	1171	1166	1175	1156
Nov	1148	1140	1150	1131
Jan	1146	1140	1150	1133
Mar	1150	1143	1129	
May	1150	1145	1129	

Turnover: 2396 (3310) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 25: Comp. daily 117.20 (118.02) . 15 day average 118.28 (118.10)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	249.20	250.40	254.80	248.20
Oct	250.20	250.40	254.60	248.40
Dec	248.00	245.60	250.00	
Mar	246.20	244.20	248.00	242.40
May	242.80	243.60	247.00	
White	**Close**	**Previous**	**High/Low**	
Aug	340.00	340.00	344.50	323.00
Oct	321.00	320.00	325.00	316.00
Dec	311.50	319.00	312.00	311.00
Mar	301.00	301.50	305.00	300.00
May	296.00	295.00		
Aug	296.00	296.50	298.00	

Turnover: Raw 3452 (3173) lots of 50 tonnes. White 1343 (968). Paris- White (FFr per tonne): Aug 2295 Oct 2185, Dec 2090, Mar 2018, May 2010 Aug 1995.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	143.75	145.25	144.00	142.75
Jul	142.25	143.75	142.50	141.50
Aug	141.75	143.75	142.25	141.25
Sep	142.25	144.50	143.00	141.75
Oct	143.75	147.00	144.50	144.00
Nov	145.00	147.25	145.00	144.00
Dec	146.00	147.00	145.50	

Turnover 2823 (5549) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 22,850 tonne	
Cash	2130-40	2165-75	2145	2145-7		
3 months	1990-5	2015-7	2045/1990	2012-3	1990-5	35,229 lots
Copper, Grade A (£ per tonne)					Ring turnover 30,625 tonne	
Cash	1596-8	1614-6	1615/1588	1587-8		
3 months	1605-7	1628-9	1624/1595	1601-2	1618-9	74,816 lots
Silver (US cents/fine ounce)					Ring turnover 0 ozs	
Cash	519-22	521-4		529-32		
30 June	523-5	527-30		533-4		265 lots
Lead (£ per tonne)					Ring turnover 4,850 tonne	
Cash	414-6	414-5		405-6		
3 months	397-8	402-2.5	401/395	395-6	398-8.5	10,479 lots
Nickel ($ per tonne)					Ring turnover 1,806 tonne	
Cash	12550-750	12950-3050	12500/12475	12500-600		
3 months	12150-300	12250-300	12300/12100	12150-250	12250-300	7,605 lots
Zinc, Special High Grade ($ per tonne)					Ring turnover 5,550 tonne	
Cash	1760-80	1770-80	1770/1865	1765-8		
3 months	1640-5	1655-60	1665/1640	1645-8	1650-5	11,271 lots
Zinc ($ per tonne)					Ring turnover 4,525 tonne	
Cash	1620-30	1625-35	1635	1620-30		
3 months	1560-70	1575-80	1585/1560	1570-80	1565-70	10,565 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	101.0	100.0	98.5	98.0
Feb	110.0	115.0		
Apr	160.0	176.2	181.0	177.0
May	193.0	191.3	191.5	190.0

Turnover 422 (466) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	151.20	152.00	151.00
Aug	148.50	148.50	148.00
Oct	148.50	148.50	
Dec	150.00	150.50	148.00

Turnover 98 (653) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
May	1675	1670	1675	1670
Jul	1482	1480	1490	1462
Oct	1375	1384	1395	1370
Jan	1462	1470	1480	1455
Apr	1490	1485	1480	
Jul	1335	1315		
Oct	1330	1325	1333	
BFI	1667	1682		

Turnover 285 (1011)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jul	112.20	112.75	112.20	112.00
Sep	103.00	104.90	103.50	102.90
Nov	107.25	107.25	107.35	
Jan	110.00	110.25	110.50	
Mar	110.40	110.25	110.40	110.35
May	113.40	113.35	113.40	
Barley	**Close**	**Previous**	**High/Low**	
Sep	103.35	103.30	103.85	
Nov	105.20	105.20	106.50	105.35
Jan	105.15	109.15	105.25	105.10
Mar	111.90	111.85		
May	113.40	113.35	113.50	

Turnover: Wheat 128 (184), Barley 81 (31) Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	103.5	109.5	
Aug	108.5	108.5	
Oct	112.5	112.5	

Turnover 0 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	363½-363¾	227½-228¼
Opening	364¾-365¼	228½-229¼
Morning fix	367.2	228.91
Afternoon fix	365.5	227.82
Day's high	367½-368	
Day's low	362¾-363¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	374-379	234½-237½
Britannia	374-379	234½-237½
US Eagle	374-379	234½-237½
Angel	378-381	236¾-238½
Krugerrand	363-366	227½-230
New Sov.	86-87	54-54½
Old Sov.	86-87	54-54½
Noble Plat	505-514.1	315.85-320.9
Silver fix	**p/fine oz**	**US cts equiv**
Spot	331.60	533.00
3 months	343.10	546.15
6 months	354.70	559.25
12 months	376.95	585.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1900	220	133	23	68
2000	149	89	50	113
2100	93	63	93	176
Copper (Grade A)	Calls		Puts	
2450	136	171	42	83
2500	82	121	88	141
2550	43	83	145	200

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	16	58	74	89
1200	35	95	83	88
1250	73	127	31	48
Cocoa				
750	63	80	5	14
800	27	48	19	32
850	9	26	51	60

US MARKETS

IN THE METALS, gold silver and platinum slipped on scattered liquidation before the long weekend, reports *Drexel Burnham Lambert*. Copper prices advanced on some trade buying with July gaining 170 to close at 112.00. In the softs, cocoa was the most active market as prices sank 33 in July from heavy trade selling. Trading volume neared 10,000 contracts. The sugar and coffee markets were both very slow. The grain markets continued to have quiet dealings while livestock futures closed lower from elected sell-stops. The energy complex was weak as continued profit-taking and lower brent crude kept the markets from gaining. Cotton prices were steady as commission house selling offset trade *and local buying*.

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.38	19.48	19.47	19.24
Aug	18.64	18.64	18.65	18.50
Sep	18.30	18.26	18.30	18.13
Dec	17.66	17.62	17.68	17.45
Jan	17.55	17.47	17.55	17.40
Feb	17.48	17.37	17.45	17.40
Mar	17.35	17.28	17.32	17.32

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4990	4905	5000	4975
Jul	4815	4720	4840	4665
Sep	4865	4811	4885	4785
Nov	4960	4951	4980	4960
Dec	5015	4990	5050	5010
Jan	5030	5048	5030	5030
Feb	4995	4968	4980	4980

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1220	1253	1274	1218
Sep	1215	1247	1276	1212
Dec	1225	1258	1288	1225
Mar	1235	1268	1290	1231
May	1233	1280	1284	1235
Jul	1250	1275	1297	1255
Sep	1271	1298	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	134.78	134.21	135.70	133.51
Sep	128.48	128.20	129.60	127.75
Dec	124.85	123.23	125.40	123.50
Mar	123.15	122.79	124.50	122.70
May	122.50	120.31	124.50	123.00
Jul	122.00	121.60	0	0
Sep	124.25	122.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.14	11.13	11.40	11.09
Oct	11.21	11.21	11.42	11.12
Jan	11.16	11.16	0	0
Mar	10.90	10.95	11.10	10.83
May	10.89	10.83	11.05	10.84
Jul	10.85	10.97	10.85	10.85
Oct	10.85	10.76	0	0

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	366.0	367.0	365.7	365.7
Jun	365.9	367.2	369.7	364.8
Jul	367.8	369.2	0	0
Aug	369.7	370.1	372.8	367.5
Oct	372.6	374.0	375.8	372.0
Dec	375.5	377.8	380.5	375.3
Feb	379.4	380.6	384.0	378.0
Apr	384.5	386.7	384.5	384.0
Jun	386.6	389.7	389.0	386.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	503.0	502.5	508.5	499.0
Oct	503.0	503.7	509.5	499.0
Jan	509.5	506.2	507.0	500.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	526.5	528.7	531.0	531.0
Jun	528.5	529.5	530.0	530.0
Jul	531.5	531.8	538.0	529.5
Sep	535.8	536.5	541.5	533.0
Dec	543.2	545.0	549.0	542.0
Jan	546.7	547.2	550.0	546.0
Mar	553.0	554.0	558.0	552.0
May	557.5	574.8	0	0
Jul	562.5	561.6	565.5	560.0
Sep	565.0	566.0	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	112.80	112.00	[illegible]	[illegible]
Jul	111.20	109.60	112.10	110.80
Sep	110.20	109.50	0	0
Dec	112.00	110.20	112.20	110.05
Mar	110.50	108.80	111.10	109.30
May	110.50	108.20	112.20	108.70
Sep	110.70	109.20	110.70	110.25
Dec	110.30	109.10	111.25	108.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.21	67.15	67.42	66.75
Oct	66.85	66.72	66.88	66.60
Dec	69.30	69.38	69.50	69.10
Mar	70.00	69.93	70.10	69.75
May	70.85	70.75	70.85	70.60
Jul	70.90	70.18	70.50	70.00
Oct	69.20	69.20	69.20	69.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	165.55	164.00	165.80	162.10
Sep	179.75	178.85	180.50	177.60
Nov	165.75	167.25	167.50	165.50
Jan	163.05	164.00	165.50	163.00
Mar	162.00	163.40	163.50	162.60
May	161.95	162.75	0	0
Jul	161.95	162.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 25	May 24	month ago	yr ago
2010.7	2010.9	2025.4	1801.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	133.69	133.58	137.68	132.85
Futures	132.74	132.16	135.14	134.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	711/0	701/4	713/0	703/4
Aug	691/4	686/4	695/0	687/4
Sep	662/4	660/2	668/4	658/4
Nov	646/2	647/6	654/0	643/0
Jan	654/2	657/6	660/0	651/0
Mar	663/4	665/4	671/0	660/0
May	671/0	673/4	676/0	667/0
Jul	670/0	674/0	678/4	668/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.88	21.81	22.02	21.81
Aug	22.04	22.04	22.25	22.01
Sep	22.22	22.25	22.40	22.16
Oct	22.30	22.40	22.55	22.30
Dec	22.71	22.75	22.95	22.60
Jan	22.88	22.90	23.10	22.80
Mar	23.17	23.37	23.30	23.15
May	23.25	23.35	23.35	23.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	209.6	208.0	211.0	208.7
Aug	205.4	204.5	207.5	205.1
Sep	198.2	198.5	202.0	198.8
Oct	193.0	192.5	195.1	192.0
Dec	190.8	191.0	193.5	190.0
Jan	189.5	190.5	193.0	190.0
Mar	189.7	190.0	191.0	189.5
May	189.0	189.0	191.2	188.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	264/2	264/6	265/4	262/4
Sep	246/4	246/2	250/2	246/0
Dec	246/4	244/2	247/4	245/0
Mar	255/6	254/4	256/2	253/6
May	261/0	257/2	260/0	256/4
Jul	263/4	263/4	265/4	262/0
Sep	248/0	245/0	246/0	245/0
Dec	238/0	242/0	243/0	239/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	393/4	389/0	397/0	391/4
Sep	401/0	398/4	403/0	396/0
Dec	413/2	406/2	417/0	410/4
Mar	418/4	413/0	421/0	415/6
May	409/0	403/0	410/0	402/4
Jul	369/4	372/0	372/0	369/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	69.77	69.20	69.47	68.75
Aug	65.37	65.72	65.85	65.10
Oct	65.95	65.77	66.05	65.60
Dec	66.97	66.95	66.85	66.55
Feb	66.20	66.20	66.55	66.00
Apr	70.27	70.75	70.87	69.95
Jun	70.85	71.15	71.12	70.85
Aug	70.10	70.70	71.00	70.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.60	48.20	48.15	47.00
Jul	47.16	48.13	48.15	46.90
Aug	45.07	45.22	45.25	44.80
Oct	42.12	42.77	42.75	42.00
Dec	44.52	44.77	44.87	44.35
Feb	45.85	46.15	46.15	45.65
Apr	43.52	44.17	44.00	43.50
Jun	47.40	47.32	47.45	47.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.07	32.17	32.05	31.05
Aug	31.17	32.12	32.05	31.05
Feb	46.85	49.52	48.05	46.85
Mar	48.20	49.07	48.50	47.95
May	34.32	47.70	0	0
Jul	51.00	51.50	0	50.50

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Renewed demand boosts dollar

TWO ROUNDS of co-ordinated central bank intervention failed to stop the dollar rising over three pfennigs from the day's low in currency markets yesterday. Nevertheless, it still finished down from the closing levels in London on Thursday.

Some dealers expressed surprise at the scale of the intervention since the dollar was already well down from Thursday's close before central banks intervened. The US unit opened two pfennigs lower against the D-Mark at around DM1.9735 and continued to lose ground on a comment from a Japanese Government official that the Bank of Japan will decide at a meeting on May 30 whether to increase its discount rate. Most traders expect a rise of 0.75 per cent to 3.25 per cent.

The US unit continued to lose ground as the temptation to take profits after the recent sharp rise encouraged many investors to close out positions ahead of long weekend holidays in the US and UK. Sentiment was also affected by speculation that the West German discount rate may be increased at the meeting of the central council next week.

However, a break below key support at DM1.9650 brought about a change of heart as bargain hunters emerged to push the dollar firmer. Central banks then intervened in an attempt to drive the dollar lower, but only served to encourage further dollar purchases; a second round of intervention met with the same response, and the dollar finished in demand and close to the day's high at DM1.9890 compared with DM1.9950 on Thursday. Against the yen it closed at Y141.40 from Y141.95.

Central banks intervening yesterday included the US Federal Reserve, the Bank of England, the Bank of Canada and at least seven other European banks. This included the Bundesbank, which for some weeks until yesterday had been conspicuous by its absence in co-ordinated intervention.

Elsewhere, the US unit finished at SFr1.7360 from SFr1.7560 and FFr6.7350 from FFr6.7600. On Bank of England figures, the dollar's exchange rate index finished unchanged at 72.2. Sterling managed to hold on to its opening gains and its exchange rate index closed at 93.4, unchanged from the opening but up from 93.1 on Thursday.

While the main attention tended to focus on the dollar, investors retained some confidence in sterling, mainly because of the apparent determination by the UK Government to support it.

£ IN NEW YORK

May 26	Latest	Previous Close
£ Spot	1.6095-1.6105	1.5900-1.5910
1 month	0.54-0.53pm	0.53-0.51pm
3 months	1.67-1.65pm	1.56-1.52pm
12 months	5.83-5.73pm	5.58-5.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 26	Previous
8.30 am	93.4	93.3
9.00 am	93.3	93.3
10.00 am	93.4	93.1
11.00 am	93.4	93.3
Noon	93.5	93.1
1.00 pm	93.5	93.1
2.00 pm	93.4	93.1
3.00 pm	93.5	93.2
4.00 pm	93.4	93.1

CURRENCY RATES

May 26	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.788442	0.659911
U.S Dollar	7	1.24085	1.06312
Canadian $	12.39	1.49895	1.27872
Austrian Sch.	5	N/A	14.6455
Belgian Franc	7.75	52.0257	43.5559
Danish Krone	7½	9.66994	8.10201
Deutsche Mark	4.50	N/A	2.07999
Neth.Guilder	5.50	2.79874	2.34460
French Franc	9½	8.41544	7.04687
Italian Lira	13½	1799.61	1503.78
Japanese Yen	2½	175.953	148.730
Norway Krone	8	8.93784	7.52952
Spanish Peseta	-	N/A	130.923
Swedish Krona	9½	8.35107	7.01976
Swiss Franc	4.5	2.19755	1.81474
Greek Drach.	20½	N/A	177.509
Irish Punt	-	N/A	0.778270

*All SDR rates are for May 25

CURRENCY MOVEMENTS

May 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.4	-17.9
U.S Dollar	71.9	-5.2
Canadian Dollar	103.0	-0.9
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]

FORWARD RATES AGAINST STERLING

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5880-1.6055	1.5885-1.5895	0.53-0.50cpm	3.89	1.55-1.50pm	3.84
Ireland†	1.3440-1.3645	1.3440-1.3450	0.25-0.30cdis	-2.42	0.20-0.30dis	-0.73
Canada	1.2010-1.2075	1.2045-1.2055	0.30-0.34cdis	-3.19	0.82-0.88dis	-2.83
Netherlands	2.2030-2.2420	2.2395-2.2405	0.48-0.46cpm	2.55	1.15-1.11pm	2.04
Belgium	40.90-41.50	41.40-41.50	5.50-4.00cpm	1.39	13.00-10.00pm	1.12
Denmark	7.61¼-7.73½	7.69¼-7.69¾	0.85-0.55orepm	1.10	0.85-0.55pm	0.37
W. Germany	1.9535-1.9900	1.9885-1.9895	0.49-0.46pfpm	2.91	1.17-1.12pm	2.33
Portugal	162.70-163.60	163.45-163.55	60-90cdis	-5.53	170-240dis	-5.04
Spain	122.90-124.30	124.20-124.30	28-39cdis	-3.22	110-120dis	-3.74
Italy	1412-1433	1436½-1437½	0.22-0.27liredis	-2.07	0.82-0.87dis	-2.38
Norway	7.07¾-7.13	7.10¾-7.11¼	0.55-0.80oredis	-1.14	2.05-2.35dis	-1.24
France	6.61½-6.74	6.73-6.74	0.52-0.47cpm	0.89	1.18-1.08pm	0.68
Sweden	6.60¾-6.67	6.66¼-6.66¾	0.93-1.08oredis	-1.82	2.80-3.05dis	-1.77
Japan	139.50-141.50	141.35-141.45	0.56-0.53ypm	4.67	1.57-1.53pm	4.42
Austria	13.75½-13.90½	13.83¼-13.83¾	3.25-2.85gropm	2.64	8.70-7.45pm	2.33
Switzerland	1.6990-1.7370	1.7355-1.7365	0.25-0.21cpm	1.61	0.69-0.64pm	1.55

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.20-41.30.

POUND SPOT- FORWARD AGAINST THE POUND

May 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5880-1.6055	1.5885-1.5895	0.53-0.50cpm	3.89	1.55-1.50pm	3.84
Canada	1.9135-1.9330	1.9155-1.9165	0.16-0.05cpm	0.65	0.56-0.40cpm	0.99
Netherlands	3.54½-3.56½	3.55½-3.56½	2-1¾cpm	6.54	5¾-5¼pm	5.91
Belgium	65.75-66.15	65.80-65.90	31-26cpm	5.19	85-77pm	4.91
Denmark	12.21¼-12.30	12.22¾-12.23¾	5½-4¾orepm	5.01	13¾-12¾pm	4.20
Ireland	1.1800-1.1850	1.1835-1.1845	0.50-0.45cpm	4.81	1.35-1.25pm	4.39
W. Germany	3.14¾-3.16½	3.15¾-3.15¾	1⅞-1¾pfpm	6.90	4⅞-4¾pm	6.11
Portugal	259.90-261.50	260.20-261.20	2-54cdis	-1.29	46-175dis	-1.70
Spain	197.50-198.60	197.75-197.85	28-11cpm	1.18	26-6pm	0.26
Italy	2275¾-2286½	2282½-2283½	4-3lirepm	1.85	9-7pm	1.41
Norway	11.28¾-11.41	11.29¾-11.30¾	3-2¼orepm	2.77	7¾-6¾pm	2.55
France	10.66½-10.70½	10.69¾-10.70¾	4½-4cpm	4.78	12¾-11½pm	4.45
Sweden	10.58-10.65	10.58½-10.59½	2-1½orepm	1.98	6-5pm	2.07
Japan	223¾-225¾	224¾-225¾	1⅝-1½ypm	8.34	4⅝-4½pm	8.12
Austria	22.10-22.20	22.13-22.16	12½-11⅝gropm	6.54	34⅞-32⅝pm	6.10
Switzerland	2.75¾-2.77	2.75¾-2.76¾	1⅞-1¾cpm	5.73	3¾-3⅝pm	5.37

Belgian rate is convertible francs. Financial franc 65.50-65.60. Six-month forward dollar 3.10-3.05cpm 12 months 5.55-5.45cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5559	+2.59	+1.00	±1.5344
Danish Krone	7.85212	8.10201	+3.18	+1.59	±1.5404
German D-Mark	2.05853	2.07999	+1.04	-0.55	±1.0981
French Franc	6.90403	7.04687	+2.07	+0.48	±1.3674
Dutch Guilder	2.31943	2.34460	+1.09	-0.50	±1.5012
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1483.58	1503.78	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Nervous tone

UK INTEREST rates ended the week on a relatively subdued note in comparison to the sharp fluctuations seen earlier. Many traders feel that the rise in base rates to 14 per cent may be sufficient to reduce inflation and economic growth, but there are fears that a possible rise in interest rates elsewhere - notably Japan and West Germany - may put downward pressure on sterling and force a rise to 15 per cent.

Interbank rates yesterday remained little changed from Thursday however; the key three-month rate finished at 13⅞-13¹³⁄₁₆ per cent, unchanged, while the one year rate was quoted at 13¹¹⁄₁₆-13⅝ per cent.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £450m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills draining £87m. There was also a rise in the note circulation of £485m. These were partly offset by Exchequer transactions which added £95m and banks' balances brought forward £35m above target.

The forecast was revised to a shortage of around £650m but the Bank gave no assistance in the morning. A further revision took the forecast to a shortage of around £750m, and the Bank gave assistance of £798m.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LIFFE / LONDON (LIFFE) / CHICAGO FUTURES AND OPTIONS

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	214.90	215.90	214.40	214.30
Sep	219.25	219.80	218.80	218.80

Estimated Volume 1754 (4971)
Previous day's open int. 18396 (19196)

FT GUIDE TO WORLD CURRENCIES
Every Tuesday in the FT

LONDON TRADED OPTIONS

JAGUAR, the UK quality car maker which has a heavy concentration of sales in the US, reacted strongly yesterday to speculation that Ford might make a bid for it. The option on the stock has seen a fair amount of recent business, but yesterday it came more or less from nowhere — 550 contracts at 2.30pm — to top the options frame with 2,021 contracts. The price of the underlying share gained 31½p on the day to 357½p.

It was, by and large, a quiet day in the options market, with total contracts reaching a modest 24,309, made up of 17,312 calls and 6,997 puts. Dealings in the FT-SE 100 Index amounted to 4,676 contracts, consisting of 1,878 calls and 2,798 puts, as the index rose a further 3.7 points on the day to 2,140.3.

Some complex dealings were seen in Cable & Wireless and STC, with only part of an attempted switch into C&W call options and out of STC calls completed. Both C&W, up 17p to 555p, and STC, up 7p to 379p on the underlying market, made ground, however.

The Jaguar options business was contained, on the early count, in 1,156 calls and 865 puts. The most heavily traded series was the October 330 call, which saw 719 contracts and an opening of interest of 602 contracts to 777. There were 400 contracts traded in the July 300 calls, but hardly any net change in opening interest.

The overall opening of position on the calls amounted to 923 contracts, bringing the total of exercisable contracts to 5,181. On the put side, there was opening of interest of 104 contracts to 2,626, with the July 330s finding business of 454, along with opening of interest of 200 contracts to 402.

Dixons saw 1,960 contracts traded, continuing its recent strong options run. There was substantial business on the underlying market in the stock, together with a substantial share price gain.

The September 180 calls saw 709 contracts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*441)	420	36	53	62	4½	10	13½
	460	12	28	37	25	29	32
	500	4	12	20	61	61	63
Storehouse (*178)	160	23	27	32	5½	8	10
	180	10	16	20	16	19	20
Trafalgar (*379)	347	49	56	62	3	6	11
	377	20	36	42	12	16	22

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Tesco (*176)	160	23	28	35	3	5	5
	180	8	5	21	9	12	13
	200	3½	7	11	26	27	28

[illegible]

Dec 26 Total Contracts 24,309. Calls 17,312 Puts 6,997

LONDON MARKETS

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 15
- Last Dealings May 26
- Last Declarations Aug 10
- For settlement Aug 21

For rate indications see end of London Share Service

Calls in Ward White, Christie's Int, Atlantic Res, TR Energy, Stanley Miller, Prop Trst, Warner Est, Dixons, Dares Est, Bestwood, Stormgard, Astra Hldgs, Hawtin, Tootal, Euro Warnts.

WORLD STOCK MARKETS

NEW YORK 3pm

[illegible]

CANADA 3pm

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

INDICES

NEW YORK — DOW JONES

	May 25	May 24	May 23	May 22	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2482.59	2483.87	2478.01	2502.02	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.38	90.62	90.45	90.31	90.62 (24/5)	87.35 (23/3)	-	-
Transport	1152.65	1154.27	1155.56	1161.06	1161.06 (22/5)	959.95 (3/1)	1161.06 (22/5/89)	12.32 (8/7/32)
Utilities	199.27	199.74	199.38	201.04	201.04 (22/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2498.72 (2494.68) Low 2467.56 (2458.03)

STANDARD AND POOR'S	May 25	May 24	May 23	May 22	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	319.17	319.14	318.32	321.98	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	366.50	366.05	364.72	369.09	369.09 (22/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.81	29.80	29.85	30.07	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	178.05	177.97	177.61	179.35	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	352.65	351.00	350.96	352.98	353.83 (19/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	442.89	441.49	440.15	441.78	442.89 (25/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 24	May 17	May 10	year ago (approx.)
S & P Industrial div. yield	3.03	3.04	3.12	2.94
S & P Indl. P/E ratio	13.46	13.42	13.54	15.35

TRADING ACTIVITY †Volume

Millions	May 25	May 24	May 23
New York	154.916	178.600	189.742
Amex	11.457	11.415	10.983
OTC	129.663	122.357	140.958

NEW YORK	May 25	May 24	May 23
Issues Traded	1968	1,946	1,978
Rises	819	768	565
Falls	636	640	925
Unchanged	513	538	488
New Highs	110	81	108
New Lows	12	25	21

CANADA

TORONTO	May 25	May 24	May 23	May 22	1989 High	1989 Low
Metals & Minerals	3410.8	3376.9	3360.2	(c)	3564.9 (6/2)	3207.5 (3/1)
Composite	3667.8	3667.5	3657.7	(c)	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1881.89	1884.79	1885.76	(c)	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
NCNB	4,592.50	43⅞	1⅞	Citicorp	1,819,800	31⅛	– ⅛
Maytag xd	3,055,600	23½	+ 2⅛	Warner Comms	1,802,000	51½	+ ⅛
Texaco	2,643,100	56⅛	+ ½	Unisys Corp	1,787,700	25½	+ ⅞
Texas Utilities	2,033,800	30⅛	– ⅛	Eastman Kodak xd	1,701,000	44⅞	+ ⅛
Syntex	1,916,300	47⅛	+ 1⅛	ATT	1,575,700	35⅛	– ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 26	May 25	May 24	May 23	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1530.8	1544.1	1571.2	1583.7	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	694.7	687.3	698.9	702.1	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	319.47	(c)	316.34	308.38	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6118.82	6092.89	6049.82	6061.58	6118.82 (26/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	301.35	302.74	305.32	309.14	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	804.8	803.8	801.4	799.3	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	478.5	469.4	466.5	464.9	478.5 (26/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	112.0	111.7	110.1	109.4	112.0 (26/5)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	575.36	(c)	573.72	566.38	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1708.4	(c)	1703.3	1681.3	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1375.94	(c)	1372.09	1352.56	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2765.67	2752.51	3008.73	3067.65	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.4	600.14	601.06	603.98	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34191.62	34005.39	33851.82	33836.6	34191.62 (26/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2531.16	2519.50	2509.73	2507.85	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	243.6	243.4	241.4	241.0	243.6 (26/5)	208.3 (3/1)
CBS All Shr (End 1983)	189.8	189.7	188.1	187.9	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	651.28	649.72	644.7	651.24	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1269.58	1257.72	1280.57	1291.92	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1411.08	1398.0	1382.0	1371.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2440.04	2390.0	2380.0	2347.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	310.27	(c)	309.20	310.82	310.82 (23/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	4035.2	4012.9	(u)	4046.8 (22/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	665.3	668.6	668.8	672.6	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	500.9	498.4	501.0	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

Paris shakes off the world's preoccupations and scales all-time peaks

The flurry of renewed corporate speculation has triggered the market's advance, writes George Graham

AFTER REACHING a new high point in April, the Paris stock market spent the next few weeks sitting tight. This week, however, the bourse changed gear, and managed yesterday to break through the 470.4 level on the CAC General index reached on April 24.

"The market marked time above the 460 level and strengthened its technical position, allowing the 200 day moving average to catch up," commented Ms Susanna Hardy of brokers DLP James Capel in Paris. "Then at the beginning of this week we started to ignore what the rest of the world was doing on interest rates, which had been the big excuse for stalling."

Dealers' eyes had been focused on the prospect of a rise in interest rates since the increase in the main rates of West Germany's Bundesbank on April 20. Last week, equity buying picked up, regardless of the dollar's climb, the rise in UK interest rates and the threat that French rates might also have to rise. It then accelerated on Thursday and Friday, as the dollar resumed its fall.

"We have been waiting for an interest rate rise for so long now that, if it came, I don't think anyone would blink," said one Paris broker.

Helping to trigger the revival was a burst of renewed speculation over corporate activity.

Would Havas buy either the shares held by Compagnie Générale d'Electricité (CGE) in Générale Occidentale (GO), or GO's stake in publisher Groupe de la Cité? The rumour was promptly denied by both Havas and CGE.

Could the battle for control of LVMH, the drinks and luxury goods group, rebound again? Judgment remained suspended in the law courts.

Did Club Méditerranée plan to bid for Chargeurs, in order to pick up its own airline — UTA? Time will tell.

Buying extended also to French blue chips. Air Liquide, the industrial gases group which forecast to its shareholders' meeting this week a 15 per cent rise in profits in 1989, was heavily bought throughout the week. This was partly because of its high US exposure, which pushed it up along with the dollar at the start of the week.

Peugeot, the car maker, also emerged from its generally stolid market performance with a strong gain on the week.

At the end of the week, drinks group Pernod Ricard gained ground following the announcement late on Thursday that it had settled its grievances with Coca-Cola.

The tiff with Coca-Cola, which wanted to take back control of the distribution of its product in France, had cast a shadow over Pernod. Coke, and the associated Sprite and Fanta drinks, have been an important and fast growing component of Pernod's earnings for the last few years, and the group's difficulties in developing its own soft drink, Orangina, have not encouraged confidence in the future.

The settlement terms, which involve the sale of Pernod's Coca-Cola bottling subsidiary to the US group, have not yet been disclosed, but Paris analysts expect a payment of at least FFr2bn ($338m).

Most companies — Suez is a notable exception — have already reported their 1988 earnings, but recent weeks have brought a number of encouraging announcements on activity in the first quarter. French companies have traditionally reported only turnover on a quarterly basis, but this year a few have also given some information on results.

The encouragement has been confirmed on a macro-economic level by provisional figures from Insee, the national statistical institute. Insee reported on Friday that gross domestic product grew by 1.2 per cent in the first quarter, compared with 0.6 per cent in the fourth quarter of 1988, maintaining the strong growth levels of last year.

Even more encouraging, Insee said much of the first quarter growth stemmed from a 5.9 per cent increase in exports, offset by an increase of only 1.6 per cent in imports. February and March foreign trade figures have shown a sharp reduction in France's deficit, and dealers are closely watching the announcement of April's figures, at 8.30 on Wednesday morning.

Helping the market along is a strong surge in liquidity. Along with a renewal in mutual fund investment — internationally diversified funds saw net subscriptions of FFr3.2bn last month, mostly in the equity sector, a strong gain from the first quarter — the bourse has seen cash flowing back from markedly higher dividend payments this year.

Paris stockbrokers estimate that dividend payments this year could total FFr33bn, up 50 per cent from the cash received in 1988, and a large portion of this is due to be paid out during the current stock exchange account period.

"Settlement day for this account is June 30, the number one dividend payment day. Since the next day is a Saturday, dividends due on July 1 will probably also be paid the same day," explains Mr John Fordyce, of brokers Ferri International.

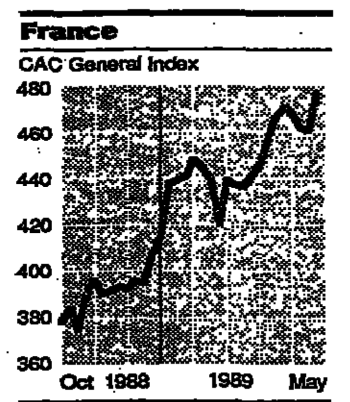
In fact, most of the bad news comes not from the market but from the stock exchange itself, which earlier this month posted a FFr509.8m loss on the nine months to December.

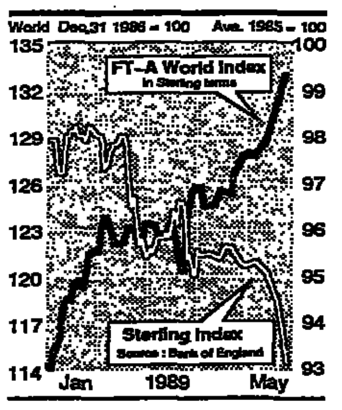
The exchange expects to balance its operating results this year, following changes in its fee structure, and will also have the proceeds of a number of property sales recently carried out.

All the same, the losses wipe out a large chunk of the fresh capital the exchange had to raise last year after the discovery of its futures trading losses.

The FFr246m increase in provisions against the risk of future losses by member firms is also not particularly comforting for the Paris broking community, which faces the likelihood of a war on institutional commission levels once the official fixed tariff goes in July.

France





PARIS EQUITY MARKET STATISTICS

	1984	1985	1986	1987	1988
Turnover FFrbn	89.0	152.6	384.4	522.1	412.7
Mkt cap FFrbn	433.8	649.6	1104.2	929.2	1483.7
Mkt cap/GDP %	9.9	13.8	21.9	17.6	26.2

AMERICA

Dow edges up on dollar's rebound

Wall Street

A SMART rebound in the dollar, despite at least two waves of co-ordinated central bank intervention, helped equities to a modest gain yesterday, *writes Janet Bush in New York.*

Trading was quiet ahead of the long Memorial Day weekend and at 2pm the Dow Jones Industrial Average was quoted 3.48 points higher at 2,486.07 on volume of 87m shares.

US Treasury bonds were given a significant lift by the dollar and were quoted as much as ¾ points higher at midsession. The yield on the Treasury's benchmark long bond fell to 8.63 per cent.

The dollar had started significantly weaker as news reports from Japan hinted strongly that the Japanese discount rate would be raised ¾ points to 3.25 per cent, from next Wednesday.

The US currency hit lows of Y139.80 and DM1.9645 but then rebounded strongly despite confirmed, co-ordinated intervention by several central banks, including the US Federal Reserve and the Bundesbank, seen for the first time since May 12. At midsession, it was quoted at Y141.35 and DM1.9890.

The gains in both stock and bond markets came despite a strong set of personal income and expenditure figures. While the 0.4 per cent gain in personal income was somewhat below expectations, the 1.1 per cent rise in expenditures was well above forecasts.

There was nothing in the figures to suggest that there is any more justification for the Fed to ease monetary policy but the strong dollar overrode interest rate considerations.

At midsession the Dow stood only a few points away from the 2,500 level.

Among featured issues yesterday was Digital Equipment which dropped $1¼ to $91 after an analyst at broker Alex Brown issued a sell recommendation.

General Electric jumped $1⅛ to $53⅞ ahead of the expected announcement on Tuesday of a major contract with American Telephone & Telegraph, British Telecom and France Telecom to build a huge global telephone network.

Sea Containers surged $9 to $57 after Tiphook Plc and Stena AB said they were launching a $50 a share cash tender offer for the company in the US.

Olin Corp added $1⅞ to $52¾ after the company announced various measures to enhance 1989 earnings, including a buy-back of common stock and some divestitures which would raise $100m to reduce debt.

Bell Atlantic gained $1 to $87⅞ after the board approved the creation of a leveraged employee stock ownership plan that may buy up to $1bn of the company's common shares.

Canada

THE TORONTO stock market was up on moderate volume at midsession, reacting to a stronger US dollar and continued confidence in the gold market.

The Toronto composite index rose 13.6 to 3681.30, with advances leading declines 250 to 202 on a volume of 12.1m.

ASIA PACIFIC

Nikkei hits new high on low volume

Tokyo

THE REBOUND of the yen against the dollar helped share prices surge to a record high yesterday but volume remained low, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average had a firm start and closed 186.23 points up at a record 34,191.82 — a rise of 0.5 per cent on the week. The day's low was 33,023.93.

Advances outnumbered declines by 579 to 333 while 166 issues were unchanged. Turnover, nevertheless, remained at a low 729.9m shares, barely more than the 714.44m traded on Thursday.

The Topix index of all listed shares gained 11.66 to 2,531.16 and the ISE/Nikkei 50 index edged up 0.87 to 2,021.67.

A large number of companies reported higher-than-expected profits, reminding investors of the strong fundamentals supporting the economy.

Analysts said that investors were beginning to discount a possible rise in the discount rate.

A report by one of Japan's leading newspapers said that the Bank of Japan had decided to raise the official discount rate by 0.75 percentage points — a figure that the market had perhaps not taken into account but was likely to accept as effective in stemming the dollar's rise.

Construction companies gained popularity on the strength of their higher-than-expected profits.

Toda Construction rose Y150 to Y1,880 as investors favoured its higher profits and its low price/earnings ratio of 47. Toda was the third most active issue with a total of 19.9m shares traded.

Large-volume shipbuildings were actively sought on the strength of the recovery in their business and because they are involved in the promising aerospace market.

Kawasaki Heavy Industries, the top volume issue with 45.9m shares, added Y20 to Y1,170. Fuji Heavy Industries advanced Y20 to Y1,050.

Interest in Osaka returned to domestic demand-related issues and the OSE average advanced 44.14 to 33,014.74.

Roundup

ASIA PACIFIC markets ended mixed, with Australia continuing its fall while Hong Kong and Singapore recovered some lost ground.

HONG KONG ended a traumatic week with a small increase, although the advance of 13.16 points in the Hang Seng index to 2,765.67 left share prices 12.1 per cent lower on the week, *writes Michael Murray in Hong Kong.*

The index fluctuated yesterday in an 80-point range, relatively stable by the standards of a week when swings of 250 points or more were seen on three days.

Turnover remained heavy at HK$2.52bn, down from HK$3.44bn on Thursday. Mr Nick Peacock, director of research at Citicorp Scrimgeour Vickers, said that whatever the outcome of the power struggle in China he expected volatility to continue for some time. He added: "We still expect to see profit-taking into strength over the next few weeks."

AUSTRALIA was buffeted by news of higher interest rates, following Thursday's bad national accounts figures, and share prices dropped.

Blue chips led the way down. The All Ordinaries index fell 13.3 to 1,530.8 for a two-day loss of 2.6 per cent and turnover reached 120.3m shares, worth A$272m.

The All Ordinaries index suffered a drop of 2 per cent over the week.

SINGAPORE saw the return of bargain hunters after Thursday's sell-off, with buying encouraged by gains in Hong Kong. The Straits Times industrial index added 11.86 to 1,269.58, for a week's loss of 3.1 per cent.

SOUTH AFRICA

THE FIRMNESS of the bullion price gave a boost to gold shares, which ended higher in Johannesburg.

EUROPE

Confidence helps bourses advance

OPTIMISM characterised the end of the week in Europe, with Paris reaching an all-time high, *writes Our Markets Staff.*

PARIS had another good day, though less exciting than on Thursday, as some investors chose to take profits before the weekend.

Turnover was expected to be lower than Thursday's strong FFr3.4bn.

The CAC General index jumped to a new high of 478.5, up 9.1, while the real-time CAC 40 index added 4.77 to 1,720.92 for a gain on the week of 2.7 per cent. The OMF 50 index meanwhile rose 2.94 to 494.12.

Yesterday's gains were more scattered than the previous day but sentiment remained positive. One analyst said: "There is quite a confident feeling."

Synthelabo, the pharmaceuticals company, soared FFr46, or 10.5 per cent, to FFr485 in good volumes, Jean Lefebvre, the road builder, rose 5.4 per cent — up FFr68 at FFr1,334 — and Raffinage, the oil refiner, jumped FFr7.50, or 5.6 per cent, to 137.50.

Pernod, the drinks group, climbed FFr34 to FFr1,295 after coming to a preliminary agreement with Coca-Cola on distribution of the US company's soft drinks in France.

FRANKFURT returned from its day's holiday with a mildly optimistic session amid confidence about inflation and the dollar, which went into decline after its recent climb. The DAX index gained 3.35 to 1,375.94 and the FAZ rose 1.64 to 575.36. The DAX advanced 1.9 per cent during the week as a whole, while the FAZ moved 1.2 per cent higher.

One analyst said foreign interest in West German shares had been reduced yesterday because of the forthcoming long weekend in the US and the UK. Turnover was DM4.86bn worth of shares.

Profit-taking hit Porsche *after its recent surge on* the back of the strong dollar, which had improved the company's exports prospects. It fell DM32, or 4 per cent, to DM746. Daimler lost DM10 to DM665.

Construction stocks performed well, with Hochtief adding DM12 to DM831.

MILAN broke out of its run of losses in volume estimated to be similar to the previous day's. One analyst said the rise had three causes: speculation about Fiat, encouraging results from Wednesday's treasury bill auction and the fact that the market had been oversold.

There is still uncertainty, however, since the fall of the Government. "During this political hiatus, it is difficult to see (the market) moving further forward," the analyst said.

The Comit index picked up 3.26 to 603.40 — 2 points higher than at the same time a week earlier.

Fiat gained L30 to L9,140, rising after-hours to L9,225. It was lifted by talk that the car maker was considering recommending a share buyback on Tuesday and by news of the EEC Commission's ruling on Fiat's 1986 takeover of Alfa Romeo.

MADRID gained ground after Thursday's holiday, but volumes were restricted by the fact that some players were taking an extended holiday. *The general index rose 1.07 to* 310.2 for a week's rise of 1.3 per cent.

Banks were in the limelight, having lagged the market in recent months, with Hispano gaining 22 points to 825 of par and Popular rising 25 to 1,887.

AMSTERDAM closed mixed after a quiet session, as Wall Street's firmer opening balanced interest rate fears. The CBS tendency index was unchanged at 179.00 — a rise of 0.9 per cent over the previous week.

Nedlloyd, the shipping concern, continued to perform well, rising Fl 5.50 to Fl 428.

Unilever eased 20 cents to Fl 138.10. The blue chip company said its US arm, Thomas J Lipton, had reached agreement over the purchase of Gold Bond Ice Cream, a US ice-cream maker.

Wolters Kluwer, the publisher, lost Fl 1 to Fl 175 after news that it had acquired Hutchinson Education, a UK educational publisher.

Macintosh, the textile company, rose 20 cents to Fl 48 after saying it expected better results in 1989 after last year's 62.5 per cent fall in net profits.

STOCKHOLM picked up after early losses and the Affärsvärlden General Index closed at an all-time high of 1,177.4, a rise of 1.7 on the day and 1 per cent on the week.

Saab-Scania rose following news earlier this week that the company had won a large aircraft order from American Airlines. Its heavily traded restricted A shares rose SKr4 to SKr268 while its free B shares climbed SKr5 to SKr264.

BRUSSELS saw a strong advance by steel and chemical stocks lead the Belgian market to a record finish. The cash market index closed 25.93 points up at 6,118.82, 0.6 per cent up for the week.

Cockerill ended BFr24 higher at BFr360, a rise of 7.1 per cent, as 84,000 shares changed hands. Arbed put on BFr160 to BFr5,800.

ZURICH lost ground again, with the Crédit Suisse index falling 3.1 to 550.5 for a loss on the week of 1.5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 25 1989						WEDNESDAY MAY 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (88)	133.95	−0.4	125.70	117.47	−1.9	4.84	134.54	127.17	119.73	157.12	128.28	136.10
Austria (19)	115.11	+0.1	108.01	120.17	+0.0	2.15	115.01	108.71	120.17	124.16	92.84	87.89
Belgium (63)	128.16	+1.4	120.26	132.27	+0.8	4.13	126.33	119.41	131.47	137.10	126.33	120.58
Canada (125)	135.68	−0.6	127.31	118.83	+0.2	3.33	136.45	128.98	118.62	138.05	124.67	116.01
Denmark (38)	170.50	+0.9	159.99	180.24	+0.0	1.87	168.96	159.71	180.17	181.03	165.35	127.48
Finland (26)	141.84	+0.4	133.09	132.34	−0.4	1.58	141.31	133.57	132.83	159.16	125.81	133.20
France (128)	116.20	+2.5	109.04	123.22	+1.7	3.08	113.33	107.12	121.20	122.79	112.57	92.23
West Germany (100)	81.24	+0.9	76.23	84.26	+0.0	2.40	80.54	76.12	84.26	90.40	79.56	74.36
Hong Kong (49)	115.70	−9.3	108.57	115.58	−9.3	4.67	127.52	120.54	127.43	140.33	111.80	100.15
Ireland (17)	137.47	+0.8	128.99	144.50	−0.1	2.91	136.38	128.91	144.60	151.36	126.00	129.19
Italy (98)	75.45	+0.6	70.80	81.42	−0.2	2.68	74.97	70.86	81.58	86.88	74.97	69.97
Japan (455)	179.54	+1.0	168.47	161.10	+0.4	0.47	177.72	167.98	160.47	200.11	177.72	170.69
Malaysia (36)	174.94	−2.2	164.16	181.58	−2.2	2.82	178.84	169.05	185.68	184.26	143.35	134.81
Mexico (13)	220.49	+0.4	206.90	594.36	+0.6	0.85	219.58	207.55	590.82	220.49	153.32	151.15
Netherland (42)	114.29	+1.8	107.24	117.24	+0.9	4.39	112.24	106.09	116.16	122.22	110.63	103.08
New Zealand (24)	67.00	−1.0	62.87	59.61	−1.4	6.18	67.66	63.96	60.49	76.02	66.84	80.91
Norway (26)	180.31	+1.0	169.19	175.90	+0.3	1.51	178.50	168.72	175.35	198.39	139.92	117.81
Singapore (26)	154.88	−1.3	145.33	139.53	−1.3	1.94	156.88	148.29	141.34	160.35	124.57	111.31
South Africa (60)	129.47	−0.6	121.49	118.67	+0.7	4.45	130.21	123.08	117.86	144.86	115.35	130.52
Spain (43)	148.67	+0.9	139.51	140.28	+0.0	3.57	147.37	139.30	140.28	156.17	143.14	149.92
Sweden (35)	158.42	+1.1	148.66	157.19	+0.4	2.19	156.63	148.05	156.57	162.00	138.45	124.42
Switzerland (57)	68.87	+1.6	64.63	74.88	−0.1	2.48	67.81	64.10	75.08	79.76	67.81	76.03
United Kingdom (314)	140.14	+1.0	131.50	131.50	+0.2	4.37	138.83	131.22	131.22	153.33	134.53	138.35
USA (558)	130.14	+0.0	122.12	130.14	+0.0	3.44	130.10	122.97	130.10	131.21	112.13	103.82
Europe (1006)	114.00	+1.2	106.97	113.13	+0.4	3.60	112.65	106.48	112.74	121.70	112.65	107.34
Nordic (125)	150.35	+1.0	141.08	146.59	+0.2	1.95	148.91	140.75	146.31	155.61	137.95	118.46
Pacific Basin (678)	175.19	+0.8	164.39	157.46	+0.1	0.70	173.87	164.34	157.28	194.72	173.87	166.57
Euro−Pacific (1684)	150.73	+0.9	141.44	139.78	+0.2	1.59	149.40	141.21	139.52	164.22	149.40	142.89
North America (683)	130.38	+0.0	122.35	129.44	+0.0	3.43	130.39	123.25	129.39	131.50	112.79	104.47
Europe Ex. UK (692)	97.71	+1.4	91.69	101.76	+0.5	2.97	96.38	91.10	101.29	105.29	96.30	88.16
Pacific Ex. Japan (223)	123.02	−3.6	115.44	111.95	−4.3	4.57	127.57	120.58	117.01	137.86	123.02	116.96
World Ex. US (1882)	150.04	+0.8	140.79	139.05	+0.2	1.67	148.80	140.65	138.78	162.77	148.80	141.84
World Ex. UK (2126)	142.12	+0.5	133.36	138.44	+0.1	2.05	141.37	133.62	138.26	146.04	138.06	126.09
World Ex. So. Af. (2380)	142.00	+0.6	133.25	136.09	+0.1	2.24	141.19	133.46	135.90	146.65	138.82	127.15
World Ex. Japan (1985)	124.06	+0.2	116.41	123.04	+0.0	3.54	123.76	116.98	123.09	126.02	114.51	106.29
The World Index (2440)	141.93	+0.6	133.18	135.97	+0.1	2.25	141.12	133.39	135.78	146.51	138.83	127.17

Latest prices were unavailable for this edition.
Markets closed on May 25: Austria, Spain and West Germany.
CONSTITUENT CHANGE (MAY 26): Deletion: Benetton Group (Italy).

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Financial Trusts, Land, etc

Insurance

Investment Trusts

Unit Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Shipping

Utilities

Water Works

USM Appendix

The Third Market Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration A$1.867
Aust. Development A$1.5856 ♦
Aust. Foundation Inv 63 ♦, A$1.445 (23/5)
Australis Mining 3 (23/5)
Black Hill Minerals 6 ♦ (23/5)
Boral Ord. Stk. A$3.56597, .58 ♦, £1.63
Bounty Invs A$2.09 (24/5)
Cape Range Oil 1 (23/5)
Centaur Mining & Exploration A$0.08 ♦, A$0.08
City Developments S$4.27552 ♦
Comdial Corp 55 (24/5)
Conex Aust 0.5
Cons. Gold Mining Areas A$0.01593 ♦, 1.5 (22/5)
Cultus Resources 20
Email Ord Stk A$3.9849, .9887 (23/5)
Fairchild Industries $17.625 ♦ (23/5)
Harland (John H) Co $21.75 ♦
Highveld Steel & Vanadium R18 ♦, $4.25 (24/5)
Hooker Corp A$1.43353, .43643, .48 ♦
Jardine Matheson Finance Warrants 45 (23/5)
Jason Mining 10 (24/5)
Killinghall Tin (Malaysia) Berhad Ord (Lon reg) 35 (19/5)
Kuala Sidim Rubber $2.4477 ♦ (24/5)
Kulim Malaysia Ord (Malay Reg) 34 ♦ (19/5)
Magellan Petroleum Aust. £1.02 (22/5)
Malaysian Plantations 43 (23/5)
National Electronics (Consolidated) 5 ♦, 3 (22/5)
Niagara Share Corp £8.2 (19/5)
Nicron Resources A$0.375
Noranda Inc. C$22.61 ♦, £11.75 (24/5)
North Flinders Mines 85 (24/5)
Ocean Resources A$0.4, .45 (24/5)
Oil Search 35, 6 ♦, 37
Overseas Chinese Banking Corp S$9.90792
Quaker State £10.65 (23/5)
Regal Hotels (Hldgs) 14
Selangor Properties S$1.66915
Singapore Land S$11.6383, .75765
Southwest Gold mines 2 (19/5)
Strategic Minerals Corp 21 ♦, A$0.44 (24/5)
Sun Electric Corp £13.31287 ♦ (23/5)
Vultan Minerals 20 (23/5)
Westfield Minerals 86 (23/5)
Winsor Ind. Corp. HK$9.05, .1043 (22/5)

RULE 535(2) LATE ADDITIONS;
All England Lawn Tennis Ground Ld. Deb. 86/90 £34000 (22/5)
Arsenal Football Club Ld. Ord £1 £1260 (23/5)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Equities firmer in cautious trading

NEW UNCERTAINTIES over the US dollar and the outlook for Japanese interest rates helped to check a promising rally in the UK stock market yesterday as the first leg of the trading Account drew to its close. However, with both British and US markets moving into three-day weekend breaks, equity business began to fade away well before the end of the London trading session.

Firmness in the pound was seen as a bulwark against any further rise in base rates at present and, therefore, a positive factor for equities. The market's gradual recovery of nerve as it absorbed this week's rise in UK base rates to 14 per cent was sustained by yesterday's disclosure of a fall of 0.2 per cent in domestic GDP in the first quarter of the year. The dip in GDP contrasted with predictions in the City of a modest rise, and was regarded as a further indication that the economy is slowing down.

Account Dealing Dates		
*First Dealings: May 8	May 22	Jun 5
Option Declarations: May 18	Jun 1	Jun 15
Last Dealings: May 19	Jun 2	Jun 16
Account Day: May 30	Jun 12	Jun 26

*New time dealings may take place from 9.00 am two business days earlier

However, the advance in the equity market, which had put nine points on the FT-SE Index by early afternoon, was restrained by fresh anxieties over global interest rates as central banks again struggled to hold the dollar down.

Hints that the Japanese authorities might announce the widely-predicted increase in their discount rate early next week, as the UK and US financial communities return from their extended weekend, reached the equity market by way of the currency dealing offices.

The stock market lost impetus in the second half of the session yesterday, and share gains were steadily whittled away. By the close, the gain in the FT-SE Index had been trimmed to 3.7 for a final reading of 2,140.3.

The first week of the account has seen the Footsie Index fall by 64.4 points, or 2.9 per cent as weakness in sterling set the stage for the one point increase in UK base rates. Yesterday's loss left the equity market near the levels of May 16, just before London's equity sector began its response to the improved trend in the US trade deficit.

While the hike in domestic base rates shook market confidence in the near term outlook, equity strategists have remained relatively optimistic for the longer view. Warburg Securities, having correctly warned that base rates would move up to 14 per cent, said yesterday that this rate "is likely to prove the top of the 1988/89 monetary tightening"; however, the Warburg team added that nobody could be wholly confident of this for a few months yet, and certainly no reduction is in sight for some time.

Turnover in equities was unexciting yesterday, with Seaq volume at 463.1m shares against Thursday's 482.8m. But in money terms, turnover has been good this week, running at a daily average of around £1.5bn.

FINANCIAL TIMES STOCK INDICES

	May 26	May 25	May 24	May 23	May 22	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.20	86.06	85.96	86.12	86.42	89.91	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.91	96.87	96.89	97.33	97.30	98.62	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1778.8	1777.3	1774.0	1787.4	1803.6	1430.0	1837.5 (19/5)	1447.8 (3/1)	1926 2 (16/7/87)	49.4 (26/6/40)
Gold Mines	171.2	170.4	168.1	168.6	166.3	215.7	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	May 26	May 25	May 24	May 23	May 22	Year Ago
Ord. Di. Yield	4.47	4.47	4.46	4.41	4.37	4.64
Earning Yld %(full)	10.82	10.83	10.81	10.72	10.63	11.92
P/E Ratio(Net)(☆)	11.19	11.19	11.20	11.25	11.35	10.26
SEAQ Bargains(5pm)	24,602	24,160	26,230	27,096	34,610	21,504
Equity Turnover(£m)†	-	1233.75	1538.77	1483.87	1547.51	814.14
Equity Bargains†	-	26,169	28,896	38,018	35,711	24,168
Shares Traded (ml)†	-	468.2	599.3	519.5	554.6	368.9

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1783.4	1779.1	1783.1	1779.8	1782.4	1782.4	1783.1	1780.0

DAY'S HIGH 1784.8 DAY'S LOW 1777.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.09 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 25	May 24
Gilt Edged Bargains	108.9	130.3
Equity Bargains	169.6	187.2
Equity Value	2493.7	3110.3
5 – Day average		
Gilt Edged Bargains	108.7	107.5
Equity Bargains	225.8	237.6
Equity Value	3221.5	3350.1

London Report and latest Share Index: Tel. 0898 123001

Heavy activity in Jaguar

Stories that Ford, the US motor group, might be building a stake in Jaguar resurfaced in the London market yesterday. Mr Donald Petersen, Ford's chairman, was quoted as saying: "Jaguar fits our standards. I admire Jaguar's renaissance, especially in terms of quality . . . and they represent a business where we don't presently play."

Trading volume in Jaguar – and the price – took off. More than 8m shares changed hands in an hour as the stock jumped to around 360p before staging a small collapse, amid persistent backwardations, and rallying once again to close at 357½, a net improvement of 31½. Volume was 9.4m shares and registered the highest turnover on the traded options market. Dealers said that the rise was exacerbated by a shortage of stock.

Both companies involved played down the speculation. Ford said: "Mr Peterson said nice things about Jaguar, but did not say Ford was interested in acquiring the company."

Jaguar said that the question of the company's future had come up in talks with "just about every car maker in the world. We have always made it clear that we want to remain an independent company."

Jaguar is protected from takeover by the UK Government's "golden share" which effectively limits individual holdings in the company to a maximum of 15 per cent. The share expires at the end of 1990. One dealer, however, drew a parallel with Britoil, whose golden share proved no obstacle to the group's acquisition by BP.

Ward White race

Intense bid speculation once again sent Ward White, the retail and diy group, racing ahead in hectic trading. By the close the shares had gained 21 at 309p on heavy turnover; at one stage the price had reached 313p.

On Thursday dealers had been talking of a dawn raid and a joint bid from Kingfisher, Boots and Thorn EMI; yesterday, speculation had shifted to the possibility of an overseas, possibly US, leveraged buy-out. An opening offer of 350p-a-share was touted, and some dealers said that a buyer, probably RMC, had already been lined up for Payless, Ward White's diy chain; traders said that RMC's interest in Payless had been triggered after Ward White approached the company with an offer for Great Mills, RMC's own diy operation.

Analysts, took a cautious view of the bid stories but accepted there was some logic to breaking-up Ward White. In particular there would be no shortage of buyers willing to pay big money for Halfords, Ward White's highly profitable specialist auto/bicycle parts retailer. Yet taking on Ward White could prove expensive. "I think 400p-a-share, or even nearer 450p, would be a more realistic offer," said one retail researcher.

Ward White itself said it knew nothing of any bid interest. "The rise in our price is simply an upward adjustment that will more closely reflect the true value of the shares," said a company spokesman. And at least one analyst was happy to dismiss the stories as pure hype. "There is as yet no firm evidence of a bid – I think it's a flyer."

The big four banks closed an unhappy week with widespread but generally minor falls. Recent market hints of a big switch out of NatWest and into Midland looked to have run their course and Midland shares, which held up well at the outset of the five-day period, ran back 6 to 344p yesterday.

Kleinwort Benson were the outstanding feature of a generally subdued merchant banking sector with the shares racing up 7 to 295p amid suggestions that it could follow Guinness Mahon as the recipient of an overseas takeover; America's AIG has a 6.5 per cent per cent holding in Kleinwort.

Brewers dropped against the trend, with Allied Lyons down 6 at 441p. The Bond Corporation has confirmed that, following the sale of 33m Allied shares on Monday, it's interest in the UK group is 4.56 per cent. Wolverhampton & Dudley climbed 3 to 424p in the wake of mostly positive brokers' comment on its interim figures. "An investment opportunity that should not be missed," advises County NatWest WoodMac.

Among hotels Trusthouse Forte rose 8½ to 324p on heavy turnover of 7.1m shares and against the background of further good demand in the traded options market. Speculators continue to support the stock, said dealers, because many believe the financing for a bid is still on the table. Ladbroke eased back after recent Japanese inspired gains to close down 2½ at 586p.

The big building issues included a weak spot in RMC, said to have been one of the possible bidders for the Ward White subsidiary Payless - which could complement RMC's Great Mills subsidiary according to some of the Ward White optimists. RMC shares ran back sharply to close 17 off at 773p with Flemings, the brokers, said to have been persistent sellers of the stock. Tarmac, dipped off to 334p but later rallied to close 4 ahead at 339p after another profits downgrading, this time from Swiss Bank Stockbroking which was said to have moved down to a figure of £430m for the group; C-L Alexanders Laing & Cruikshank recently downgraded its forecast to £435m.

Store shares firmed with the market, this in spite of a notably bearish circular on the sector from County NatWest WoodMac. The broker believes, unlike some of its competitors, that retail shares have some way further to fall; "This sector is going nowhere, remain underweight," County warned starkly. Among its recommendations, GUS and Ratners are the main buys, and Boots, Burton and Kingfisher the leading sells.

This failed, however, to halt Kingfisher's recovery from its dividend-related losses earlier in the week. The group shares rose 13 to 314p, but with turnover logged at only 1.5m it appeared as if technical factors, rather than genuine investor demand, had hoisted the price higher. "One or two marketmakers were short of stock, and that was it," said one experienced dealer dismissively.

The electronics issues again provided much of the activity in the FTSE-100 stocks. Cable & Wireless, which have seesawed as hopes of imminent bullish developments regarding Mercury, a possible ADR, and further sales of Hongkong Telecom shares were offset by worries about the China/Hong Kong situation, picked up strongly to close 17 up at 555p on turnover of 6.6m.

British Telecom, due to announce preliminary figures on Thursday, came under increasing pressure, with sentiment again damaged by the bearish note from BZW, and closed 7½ off at 260½p, with the market said to be upset by worries over the threat of large wage claims.

Sir Ron Brierley's vehicle IEP Securities bought a stake in Vickers similar to that which it sold on Wednesday, confirming a dealer's view that "Sir Ron is jobbing again." Vickers closed 4 better at 212p.

Two purchases, worth more than £8m, by Bromsgrove boosted the shares 3 to 146p, while Laird climbed 16 to 286p after it announced the long-awaited sale of its Metro-Cammell unit to GEC.

British Aerospace rose another 10 to 682, after 689p, on further consideration of reports that it could make £300m from developing sites in north London.

A £235m rights issue knocked 19 of Tiphook which closed at to 493p while Nash Industries piled on another 10 to 213p on hopes of an asset injection after a 27 per cent stake change on Thursday.

Interim profits at Kleen-E-Ze crumbled, pulling down the shares by 70 to 175p. The price at the start of the week was 305p.

The heavy turnover in British Gas which built up on Thursdaycontinued yesterday as the shares slipped back to 174p. Turnover increased from Thursday's 11m to 19m. Dealers and analysts shrugged off the recent talk of profits downgradings and recommendations to switch out of Gas stock into Shell. "There has certainly been one big seller about and perhaps the selling has triggered others to lighten holdings; but as far as we are concerned there is nothing sinister to it."

The researcher continued, "it looks as if there has been some sort of switching in the market, with institutions using the liquidity in British Gas shares to take a bear position in the UK and possibly switch to other European markets."

The switching talk regarding Shell was dismissed as wide of the mark, with Shell up 2 more to 409p on 4.1m – "good value" said dealers. BP were active – 6.2m traded – and the shares ended a fraction ahead at 288p.

Lasmo jumped 3 more to 464p, after 468p, with turnover improving to 4.4m shares after the latest bullish news from the North Sea which followed up the good news from Indonesia, and the strong buy recommendation from Mr Philip Morgan at Citicorp.

Other good features included Aran Energy which moved up 3 to 74p, and Goal, which added 5 at 110p and still boosted by market whispers that the 18 per cent stake held by Clyde could be on its way to a potential predator. Clyde moved up 3 to 144p.

Enterprise managed gain of 4 to 550p after comment on the latest cash raising exercise. Hardy Oil & Gas, the spin-off from Trafalgar house, made their market debut at 125p and gradually improved to end the session at 129p – "a very respectable performance" according to one of the top market trader.

Kelt Energy's sale of its refining and marketing and petroleumn services subsidiaries to Repsol, the newly-privatised Spanish oil group, for £136.5m was given a good reception in the market – "they certainly got that away for a good price and it now removes a cloud from the shares," said a sector analyst. Kelt shares edged up to 62p before reverting to close unchanged at 60p.

Recent bearish comments on Fisons, the pharmaceuticals group, were counterbalanced yesterday by positive words on the group from Hoare Govett, the UK securities firm. It argued that Intal, the company's highly successful anti-asthma drug, "should continue to grow for several years." It described concern over the generic and competitive position of the drug as "both misplaced and misleading," adding that patent protection "has been underestimated."

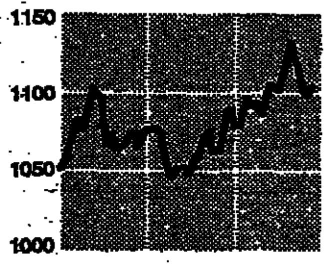
However the price lost its entire gain of 7 in the afternoon as a suggestion swept the market that a rival company, Lyphomed, had secured final approval for the sale of the drug Pentamedine in the US. After the market closed, Lyphomed denied the story to broker Citicorp Scrimgeour Vickers. "They hope to have the approval in four to six weeks time," said Mr John Aldersley at Citicorp. "It wouldn't affect Fisons profits anyway," he said, "just sentiment." Fisons closed a penny better on the day at 301p on a turnover of 2.7m shares.

ICI slipped 12 to 1261p as the dollar fell back and profit takers moved in.

Among property stocks it was Imry Merchant's turn to draw strength from hopes that it would be involved in British Aerospace's development of its Royal Ordnance factories. Imry closed 18 firmer at 476p. Earlier in the week Arlington had benefited, but with speculative buyers turning their attention to another developer, Arlington eased to 233p.

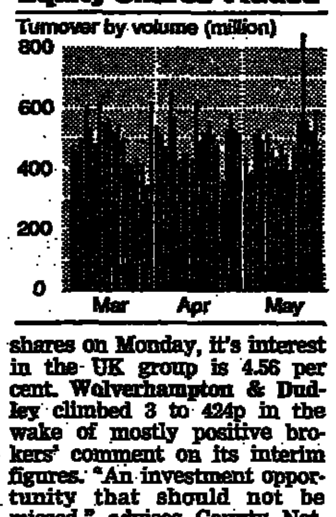
■ Other market statistics, including the FT-Actuaries Share Index, Page 9

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,700	166½	-½	Cookson	158	334		Laporte	67	457	-1	Royal Bk of Scotland	264	381	-1
Allied-Lyons	1,400	441	-6	Courtaulds	761	346	+3	Legal & General	159	311		Royal Insurance	1,100	407	+4
Amstrad	2,500	100½	-½	Dalgety	223	373	-1	Lloyds Bank	1,700	341	-2	STC	3,200	379	+7
Argyll Group	3,500	208	+7	Dixons	3,400	152	+5	LASMO	4,400	464	+3	Saatchi & Saatchi	1,000	314	-12
Ass. Brit. Foods	1,000	351		Eng. China Clays	435	489	+3	Lonrho	197	273	-1	Sainsbury	806	239	-1½
BAA	1,300	360	+8½	Enterprise Oil	586	556	+4	Lucas	491	631	+11	Scott & Newcastle	197	303	-2
BAT Inds.	4,500	558	+14	FKI Babcock	897	165	+3	MB Group	1,600	206		Sears	5,100	121	+3
BET	1,000	271		Fisons	2,700	301	+1	MEPC	275	583	+2	Shell Transport	4,100	409	+2
BICC	639	516	+1	[illegible]	2,000	197		Marks & Spencer	2,100	186	+2½	Siebe	27	511	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	6,000	188	-8	GRE	306	208	+2	Pilkington	1,200	245	+3	Tarmac	1,400	339	+4
Brit. Aerospace	2,000	682	+10	GKN	762	398	+3	Plessey	446	267		Tate & Lyle	1,500	263	+1
British Airways	1,900	201		Guinness	2,900	485	+2	Polly Peck Intl.	953	299	+9	Taylor Woodrow	[illegible]	648	
British Gas	19,000	174½	-½	Hammerson "A"	69	789	+5	Prudential	703	181	+1	Tesco	3,500	176	-1
British Land	601	367	+2	Hanson	2,600	201		RHM	781	451	-3	THORN EMI	767	704	+5
BP	6,200	288	+1	Harrisons & Cros.	1,500	176	+2	RMC	1,100	773	-17	Trafalgar House	1,200	377½	-7
British Steel	8,400	89½	-1	Hawker Siddeley	376	713	+10	RTZ	506	508	+1	Trusthouse Forte	7,100	324	+8½
British Telecom	9,400	260½	-7½	Hillsdown Hldgs.	2,700	249	+3½	Racal	3,900	498	+6	Ultramar	1,600	305	
Burmah Oil	9	592	+2	IMI	360	235	+1	Rank Org.	141	977	-2	Unilever	1,700	554	
Burton	816	227	+2	Imp. Chem.	330	1261	-12	Reckitt & Colman	85	1149	-4	United Biscuits	1,000	334	+2
Cable & Wireless	6,600	555	+17	Inchcape	2,100	283		Redland	468	598		Utd. Newspapers	140	437	
Cadbury Schweppes	612	350	-2	Jaguar	9,400	357½	+31½	Reed International	566	385	-3	Wellcome	109	457	+1
Carlton Comms.	1,600	870	+12	Kingfisher	1,500	314	+13	Reuters	1,300	807	+5	Whitbread "A"	547	325	-2
Commercial Union	1,000	374	+1	Ladbroke	2,400	601	+2½	Rolls Royce	1,200	192	+1½	Williams Hldgs.	54	262	+1
Cons. Gold Fields	957	1238	+14	Land Securities	582	583	+4	Rothmans	293	536	+2	Wimpey	1,000	285	+8

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (78).

BRITISH FUNDS (1) AMERICANS (1) BREWERS (1) Burtonwood Brewery, BUILDINGS (8) Conder Grp., Douglas (R.M.), Lafarge Coppee, CHEMICALS (4) Coalite Grp., DoeBex, Hickson Int'l, Schering Ag. STORES (5) Bolton Grp., Dunhill, Smith (W.H.), Ward White, Do. Cv. Pf., ELECTRICALS (8) Brick, Dowding & M., Goring Kerr, Life Sciences Int'l., Macvier-Swain, P-E Int'l., UEI, VG Instrs., ENGINEERING (4) FOODS (2) Argyll Grp., Bensons Grp., HOTELS (1) Trusthouse Forte, INDUSTRIALS (16) ADT, Bardon Grp., Brit. Aerospace, Brooks Servs., Eastern Prod., Erskine House Grp., Eurotherm Int'l., Do. Wrrnts., Hawthorn Leslie, Nash Inds., Office & Elect., Rolfe & Nolan, Securicor Grp. "A" N/V, Security Servs., T & N, Unilock, LEISURE (4) MOTORS (2) NEWSPAPERS (2) PAPERS (7) SHIPPING (2) Graig Shipping, Lon. O'seas. Frts., TEXTILES (1) Courtaulds, TRUSTS (8) OILS (3) PLANTATIONS (1) THIRD MARKET (3) Iveroia West, Medicare, Pennine Optical.

NEW LOWS (37).

CORPORATION LOANS (1) CANADIANS (1) BUILDINGS (1) Federated Housing, STORES (2) Colorvision, Top Value, ELECTRICALS (4) Farrari, Real Time Cont., Ross, Wholesale Fittings, ENGINEERING (1) Molins, FOODS (1) Matthews (B.), INDUSTRIALS (5) Betacom, Cent. Sheerwood, Kalamazoo, Metal Closures, Relyon, INSURANCE (1) Abbey Life, LEISURE (1) Leisure Inv., MOTORS (1) Hartwell, NEWSPAPERS (1) Southnews, PROPERTY (3) TRUSTS (4) OILS (1) Genoa Res & Inv., PLANTATIONS (1) Moran, MINES (6).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	78	15	13	207	238	85
Corps., Dom. & Foreign Bonds	10	7	26	41	56	118
Industrials	433	299	843	1,839	2,542	3,705
Financial and Props.	155	102	399	521	1,197	1,582
Oils	27	21	50	123	155	208
Plantations	1	4	7	12	10	38
Mines	28	56	94	196	245	444
Others	37	124	100	362	412	507
Totals	769	627	1,532	3,401	4,855	6,667

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday May 25 1989

Agencies	+ 34.60	Consumer Group	+ 18.57
Transport	+ 32.12	Brewers and Distillers	+ 18.10
Building Materials	+ 30.69	Textiles	+ 17.05
Mechanical Engineering	+ 28.00	Oil & Gas	+ 16.91
Electronics	+ 26.76	Stores	+ 16.42
Conglomerates	+ 26.53	Contracting,Construction	+ 14.20
Health & Household Products	+ 25.28	Food Manufacturing	+ 14.17
Capital Goods	+ 24.86	Telephone Networks	+ 12.13
Investment Trusts	+ 24.01	Insurance(Life)	+ 11.67
Motors	+ 23.87	Banks	+ 10.93
Food Retailing	+ 23.37	Financial Group	+ 9.47
Chemicals	+ 23.32	Insurance(Composite)	+ 9.26
Other Groups	+ 22.62	Publishing & Printing	+ 8.87
Leisure	+ 22.33	Mining Finance	+ 8.60
Electricals	+ 21.92	Property	+ 8.60
Other Industrial Materials	+ 21.89	Packaging & Paper	+ 8.56
Industrial Group	+ 21.44	Insurance(Brokers)	+ 8.00
Metals & Metal Forming	+ 20.92	Overseas Traders	+ 6.79
500 Share Index	+ 20.60	Gold Mines Index	+ 5.25
All Share Index	+ 18.76	Merchant Banks	+ 2.74

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	106-06	+7/32	11.20	11.00	10.98
	9.750	1/98	96-16	+2/32	10.37	10.27	10.26
	9.000	10/08	96-26	+7/32	9.36	9.28	9.30
US TREASURY *	9.125	5/99	103-08	+10/32	8.64	8.75	9.08
	8.875	2/19	102-18	+12/32	8.63	8.71	8.95
JAPAN No 111	4.600	6/98	94.6701	-0.256	5.48	5.36	5.32
No 2	5.700	3/07	105.5028	+0.195	5.11	5.08	5.04
GERMANY	6.375	11/98	95.3500	-0.200	7.05	7.07	6.87
FRANCE BTAN	8.000	1/94	98.3883	+0.058	8.96	8.92	8.97
OAT	8.125	5/99	95.5000	-0.150	8.82	8.80	8.61
CANADA *	10.250	12/98	103.0000	+0.375	9.76	9.76	10.18
NETHERLANDS	6.7500	10/98	95.1750	-0.100	7.47	7.42	7.12
AUSTRALIA	12.000	7/99	89.5796	-0.641	13.93	13.60	13.26

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

The cocoa market springs to life

COCOA PRICES sprang to life this week as reports of a planned major purchase of Ivory Coast beans, drier Ivorian weather, a potentially serious disease outbreak in Brazil and the strength of the US dollar combined to shake the market out of its recent topor.

The July position on the London futures market built on last week's tentative rally to register a £71 advance on the week to £609 a tonne, having earlier touched an 8-week high of £635 a tonne.

The main factor encouraging this performance was the persistent rumour that Phillipp Brothers, the New York trade house, was close to striking a deal to buy between 400,000 and 500,000 tonnes of Ivorian cocoa, with up to 200,000 tonnes coming from the current crop and the remainder from 1989-90 production.

"The market's fear is of a squeeze on physical cocoa if something like 500,000 tonnes of cocoa is held by one pair of hands," one London trader explained.

Against that background further upward pressure was provided by reports of lower than normal moisture levels in the Ivory Coast, which is the world's biggest producer of cocoa beans. Scattered showers were reported on Thursday, however, and more rain was being forecast for yesterday and the weekend.

Meanwhile in Brazil, the second biggest producing country, a possibly serious threat to cocoa production emerged in the form of the dreaded "witches broom" disease. Although the outbreak – in the Bahia region, which accounts for the bulk of Brazil's cocoa output – is small and isolated it is being treated extremely seriously by the Brazilian authorities. This first ever outbreak of the virulent fungal disease in Bahia is believed to have resulted from the illegal importation of cocoa trees from the Amazon region, where it is widespread.

While cocoa traders enjoyed the sudden revitalisation of their market their coffee-dealing counterparts watched their commodity slip back into the doldrums following its recent burst of activity.

As fears of a squeeze on supplies of coffee available for delivery against the May futures contract faded the premium on that position against the July contract narrowed from the exceptional levels – up to £300 a tonne – seen in recent weeks. Indeed the May price briefly moved to a discount against July before ending the week with a comparatively modest £11 premium at £1,219 a tonne, down £180 on the week. But although they said plenty of coffee had come forward onto May some traders still believed the prompt position could "flare up" again before its expiry next week. The July position, which had earlier been towed up by May's strength, ended the week £21 down at £1,208 a tonne.

Sugar prices also drifted in featureless trading and the London daily raws price moved below $300 a tonne for the first time in more than a month. The price regained $1.70 yesterday to $284.20 a tonne, but that was still $22.40 down on the week.

In its latest review of the sugar market, C. Czarnikow, the London trade house, said the world supply/demand balance appeared tighter than it had three months ago, with a 1m cut in the Indian crop estimate more than outweighing a reduced consumption forecast.

In the absence of significant fundamental news metals traders' attention was focussed chiefly on the foreign exchange market.

Among the precious metals the dollar's advance was reflected in falls on the week of $2.25 for gold, to $363.50 a troy ounce, and 9 cents for silver, to $25 cents an ounce. But platinum, which had been following the same trend, bounced by $9.50 yesterday to $503.75 an ounce, for a rise on the week of $5.25. "Platinum's fundamentals have detached it from the gold trend," commented Ms Rhona O'Connell, analyst at Shearson Lehman Hutton.

On the London Metal Exchange falls for the dollar-denominated zinc, aluminium and nickel markets were all at least partly due to the currency factor, though cash aluminium's $155 decline was also influenced by the publication of International Primary Aluminium Institute figures showing a production increase of 200 tonnes a day in March.

No such excuse was applicable to copper, however, which fell £45.50 in the cash position to an 8¼-month low of £1,597 a tonne and in the process moved from a premium of £5 a tonne over the three months quotation to a discount of £9.50. Copper prices have been on the slide for some time, reflecting the easing of the stock shortage that drove them to all-time peaks last December. continued to ease. LME warehouse stocks actually fell by 3,625 tonnes last week, but at 131,625 tonne they remained quite comfortable.

Richard Mooney

APPOINTMENTS

Changes at Evode

■ Following the EVODE GROUP's acquisition of Chamberlain Phipps, the following have been apppointed to the board for the combined group. Mr Andrew Simon continues as executive chairman. Mr David Winterbottom, Evode group managing director, becomes group chief executive. Mr David Chamberlain joins the board as managing director with overall responsibility for the special products division, and becomes non-executive deputy chairman of the combined group. Mr Colin Wyman is made director of corporate development. Joining Evode's board are: Mr Tony Palfreyman as managing director of the shoe components division; and Mr David Halewood as managing director of Chamtek division. Mr Nigel Crouch continues as managing director of the adhesives and sealants division.

■ Mr David Vevers, group public affairs manager with the Prudential Corporation, is to join WOLFF OLINS as a client director and main board director, to manage corporate indentity projects. Before joining the Prudential four years ago he was director of communications for J. Rothschild Holdings, and prior to that head of public relations at the Charterhouse Group.

■ Mr Nigel Linacre has been appointed managing director of CHARLES BARKER ADVERTISING, which was born out of the advertising division of financial public relations company, Charles Barker City. He was previously a director at CDP Financial.

Mr J. Patrick Wenger *(above)* has been appointed sales director of ROYAL DOULTON. He was chief executive, external sales division.

■ Mr Richard Hews has been promoted to the board of STREETS COMMUNICATIONS. He was an associate director, and specialises in financial and investor relations.

■ Mr Robert Massam has been appointed managing director of NEWALL ELECTRONICS, Peterborough, a B. Elliott subsidiary. He was commercial director.

■ MAILCOM has promoted Ms Faith Ward from personnel manager to director personnel, and Mr Nigel Westhorp from company accountant and company secretary to director finance.

■ MANSFIELD BREWERY has appointed Mr Colin Stump as marketing director from June 5. He was director of trade development, Hedges and Butler, a division of Bass.

■ Mr Alastair Mitchell has joined MONK DUNSTONE ASSOCIATES INVESTMENTS as financial controller (international) from Blakemores.

■ Mr R.A.G. Douglas Miller, chairman and managing director of Jenners (Princes Street, Edinburgh), has been appointed a director of The First Scottish American Trust and The Northern American Trust.

■ LEEDS PERMANENT BUILDING SOCIETY has appointed Mr Bob Humphreys as general manager field operations; Mr Norman Turner, as head of housing services; Mr Geoff Mills as insurance services manager; and Mr David Andrew as head of savings and investment.

■ Mr Nigel Singer has been appointed corporate controller of EMESS. He was finance director, and remains a non-executive director, of JSB Electrical.

■ LESSER DESIGN & BUILD has appointed Mr John Heggadon as sales and marketing director. He was national sales director, Conder Projects.

■ BIMEC INDUSTRIES has appointed Mr John M. Pinckard as a non-executive director. He is a non-executive director of Avon Rubber, and was chief executive of F.H. Lloyd Holdings. Mr Stanley Carpenter has retired and Mr Teddy Clarke has left the board.

■ BRITISH AEROSPACE has appointed Mr Richard Smith Wright as director-financial control and accounting from June 1. He is financial director of British Aerospace (Military Aircraft).

■ Mr Alastair H. Harper, financial director, has been promoted to managing director of HIGHLAND FOREST PRODUCTS, Inverness, a subsidiary of Noranda Panelboard Inc, Canada.

■ Mr Katsumi Kawashima, former chief executive of Sanwa International, the group's London-based securities arm, has been appointed general manager of the London branch of THE SANWA BANK, and chief representative of the Manchester office. He succeeds Mr Kenji Tanimoto who is returning to Tokyo. Mr Kawashima is succeeded at Sanwa International by Mr Shuzo Arai who was general manager of the Brussels branch.

■ Mr Christopher J. Briggs has been appointed financial director of HANDY TOOL HIRE (EAST MIDLANDS), and Mr Stephen Johnson becomes director and general manager.

THE BRENT WALKER GROUP has appointed Mr Dugald MacAngus *(above)* as managing director of the leisure division. He was general manager of the Selfridge Hotel, London.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	53.29	54.07	57.53	-0.4	4.76
Gilts & Fixed Int	6	112.0	112.0	118.8	.....	8.42
High Inc Equity	6	133.1	136.1	144.8	+0.6	4.39
Worldwide Bond	6	194.6	194.6	206.2	-3.0	4.70
Capital Growth						
American Growth	6	183.3	185.1	197.0	-1.4	1.26
Asian Pacific	6	98.16	100.1	106.5	-1.5	0.66
Assets & Earnings	6	159.7	159.7	170.9	+0.7	1.52
Capital Reserve Acc	0	85.00	85.00	85.12	+0.06	4.70
Comdty & Energy	6	97.88	97.88	104.7	-0.9	1.00
1992 Enterprise	6	57.57	58.73	62.48	+0.26	2.88
European Capital	6	83.25	83.25	89.04	+0.12	0.84
General	6	176.2	176.2	188.5	+1.2	2.39
Japan	6	110.2	111.8	119.0	+0.4	0.00
Mastertrust	6	85.04	85.04	90.96	-0.06	1.57
UK Growth Acc	6	202.6	202.6	216.7	+0.6	1.04
UK Growth Dist	6	135.1	135.1	144.5	+0.4	1.56
US Emerging Cos	6	54.80	56.73	60.36	-0.43	0.00
Income & Growth	6	292.4	292.4	312.8	+1.4	3.28
Ethical	6	49.39	50.61	53.85	+0.32	2.32
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	30.41	30.41xd	32.47	-0.49	3.53
European	5¼	61.90	61.98	66.16	+0.19	0.00
European Income	5¼	61.49	61.49xd	65.64	+0.30	3.26
Exempt	5¼	809.8	809.8	845.1	+7.30	2.28
Extra Income	5	43.09	43.09	46.00	+0.24	5.00
F East Emerg Econs	5¼	44.37	44.93	48.12	-1.04	0.92
Fixed Inv Tst	5	122.5	122.5xd	130.8	+0.30	2.54
Do Accum	5	190.8	190.8	203.6	+0.30	2.55
Gilt & Fixed Int	5¼	22.03	22.03	23.52	-0.02	10.40
Income & Growth	5¼	73.09	73.09xd	78.02	+0.55	4.28
Intl Income	5¼	62.82	62.82xd	67.06	-0.34	5.37
Japan	5¼	187.8	187.8	200.5	+1.30	0.00
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	55.02	55.86	59.74	+0.40	2.70
Global Tst	5½	43.36	43.81	46.85	+0.09	2.30
Recovery Tst	5½	53.76	55.93	59.50	+0.46	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	107.7	109.1xd	115.1	+0.2	3.27
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	60.00	60.00	63.82	-0.72	0.52
CS International	5	55.68	55.68xd	59.23	-	1.82
CS Japan	5	123.6	123.6	131.4	+1.2	0.33
CS Portfolio Inv	5	72.19	72.19xd	76.79	-0.10	1.65
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	140.3	145.4	153.1	-0.00	3.02
Do Gen Accum	5	234.0	242.6	255.3	-0.10	3.02
Do Income Dist	5	94.20	98.00xd	103.2	+0.10	5.46
Do Inc Accum	5	215.8	224.5	236.3	+0.00	5.46
Gilt & Fxd Int	5	36.51	36.58	38.51	+0.05	8.34
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing 0800 282621						
Growth	5⅞	38.46	38.46	41.13	+0.13	2.47
Income	5⅞	48.25	48.25	51.60	+0.11	3.98
Far East	5⅞	36.65	36.91xd	39.49	-0.77	0.05
North American	5⅞	34.48	35.02xd	37.26	-0.67	1.93
Global	5⅞	51.56	52.53	55.88	-0.06	1.76
European	5⅞	51.15	51.83	55.14	+0.28	0.98
Japan	5⅞	104.2	104.9	112.2	-1.80	0.01
Intl Currency Bd	5⅞	41.89	41.89xd	44.49	-0.99	6.74
Strategic Opps	5⅞	54.17	54.17xd	57.94	+0.15	1.26
Capability Trust Mngrs Ltd (1200)F						
Admin. 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	75.58	75.58	80.40	-1.37	1.51
(Accum Units)	5	78.91	78.91	83.95	-1.41	1.51
European Inc	5	53.13	53.13	56.52	-0.04	0.69
(Accum Units)	5	53.79	53.79	57.22	-0.06	0.69
Far East & Gen	5	65.54	65.54	69.72	-0.09	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Money Market UT	4	48.98	48.98xd	50.93	+0.01	10.84
North American	6	121.1	123.0xd	131.5	-0.3	0.40
(Accum Units)	6	149.6	151.8	162.3	-0.4	0.40
Smaller Cos	6	185.0	185.0	197.9	+1.0	1.29
(Accum Units)	6	205.1	205.1	219.4	+1.1	1.29
Meridian Income	6	108.9	109.8	117.4	-0.3	3.66
(Accum Units)	6	111.7	112.6	120.4	-0.3	3.66
Meridian Growth	6	117.0	117.7	125.9	-0.4	1.49
Midland Personal Pension Unit Trust*						
British	6	57.24	57.88	61.57	+0.01	2.27
European Growth	6	54.82	54.88	58.38	+0.07	0.39
Gilt & Fixed	6	49.50	49.53	52.69	+0.07	8.62
Income	6	54.19	55.08	58.60	+0.06	3.52
Japan Growth	6	56.46	56.81	60.44	+0.15	0.00
Managed	6	54.99	55.84	59.40	+0.08	1.64
Money Market	6	52.19	52.19	55.32	.....	10.92
North American	6	56.84	57.91	61.61	-0.13	0.40

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -
European Inc	5	108.30	108.30xd	115.90	+0.6[illegible]
European Acc	5	112.20	112.20xd	120.0	+0.5[illegible]
Nth American Inc	5	63.33	63.33	67.35	-0.7[illegible]
Nth American Acc	5	65.68	65.68	69.82	-0.7[illegible]
Japan Inc	5	115.30	115.30xd	123.40	+0.1
Japan Acc	5	115.60	115.60xd	123.60	+0.1
UK High Inc Eq Inc	5	72.34	72.34	78.19	+0.25
UK High Inc Eq Acc	5	80.36	80.36	86.86	+0.2[illegible]
Hong Kong Inc	5	44.95	44.95	47.95	-0.5[illegible]
Hong Kong Acc	5	46.52	46.52	49.62	-0.5[illegible]
Swiss Equities Inc	5	32.68	32.68xd	35.05	-0.01
Swiss Equities Acc	5	32.97	32.97xd	35.36	.....
W'wide Bond Inc	5	51.05	51.05	53.91	-0.25
W'wide Bond Acc	5	52.71	52.71	55.66	-0.26
Emerging Asia Inc	5	78.08	78.08	83.68	-0.09
Emerging Asia Acc	5	78.08	78.08	83.68	-0.09

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ● - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	63.15	65.94xd	70.14	+0.1	6.85
European	5	63.66	64.00	68.08	-0.15	0.09
Far Eastern	5	59.89	60.04	63.87	-1.08	0.78
Growth Inc	5	88.28	91.95	97.81	-0.12	1.38
Growth Acc	5	88.28	91.95	97.81	-0.12	1.38
Income Inc	5	85.07	86.85	92.39	+0.26	4.74
Income Acc	5	86.07	86.85	92.39	+0.26	4.74
Property Share	5	55.42	55.42	59.05	+0.57	0.98
Smaller Co's	5	58.99	62.20xd	66.16	-0.19	1.46
Formerly BBC Trust Managers Ltd						
Nth American	5	60.81	60.81	65.05	-0.92	1.64
International	5	46.31	46.31	49.52	-0.55	1.45
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	108.69	108.69	113.69		5.27
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk. Fenay Bdge. Huddersfield 0484 602250						
Yorkshire General	5¼	64.21	66.67	70.93	+0.43	2.63
YBM UK Eq Inc	5¼	60.60	62.70	66.70	+0.01	4.58
YUTM Int Gwth	5¼	49.75	49.75	53.10	+0.14	[illegible]

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt May 17	480.4	498.6		—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Apr 30		507.65		4.67
Fxd Int Sec Apr 30		142.15		10.13
Deposit Apr 30		100.00		12.45
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Apr 30		480.64		4.97
Accum Apr 30		1579.44		—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 24	144.9	148.9	-7.3	1.92
Managed May 24	133.1	138.1	+1.3	2.08
Japan May 25	141.3	145.2	+0.7	0.14
Pacific May 26	460.7	473.4	-27.5	0.21
Sml Jap Cos May 26	268.9	276.5	+4.4	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	123.8	127.1xd	+0.10	1.41
Robert Fleming Asset Mngmt Ltd				
Am Exempt May 23	413.95	420.06		1.87
Gen Exempt May 23	126.72	129.41		3.89
Jap Exempt May 23	663.74	676.61		0.58
Indexd Exempt May 25	113.18	116.03		2.92
U'vrs Indexd Expt May 25	109.68	112.33		2.08
Foreign & Colonial Pens Magt Ltd				
Exempt Funds				
Anglo-Nippon	1948.4	2049.1		—
European Inc	94.1	99.1		—
European Acc	98.6	103.9		—
Managed Exempt	143.0	148.6		—
North American	522.0	541.4		—
South East Asia	296.8	312.4		—
Funds in Court*				
Capital May 26	454.3	456.5xd		2.21
Gross May 26	204.5	206.5		6.54
High Yield May 26	297.8	298.1		5.38
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	49.62	51.97xd	-0.05	2.98
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's May 22	4562.0	4905.0		1.9
European May 22	411.6	420.0		1.8
American May 22	340.3	343.7		2.0
Far Eastern May 22	718.2	732.0		0.8
Australian May 22	142.4	145.3		3.0
Ridings May 12	227.4	245.0		0.8
Northumbria May 12	194.9	209.2		1.4
North West May 12	261.3	282.9		0.7
East Coast May 15	91.7	96.9		1.2
W Midlands Apr 28	213.3	230.1		1.4
Ind Lnk Mrt Apr 25	139.7	142.2		3.8

[illegible]

INSURANCES

[illegible]

Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	127 0	134 0	−4 0	−
Building Soc. Fd.	170 0	179 0	....	−
Balanced	284 0	299 0	+1.0	−
European	168 0	177 0	.....	−
GT Managed	174.0	184 0	−1 0	−
Gartmore Mngd.	115 0	122.0	−1 0	−
German	114 0	120 0	...	−
Gilt	181.0	191.0	+1 0	−
Global	48 0	51 0	..	−
High Inc.	121 0	128.0	−1 0	−
International Equity	192.0	203 0	−1.0	−
Japan	242 0	255 0	+2.0	−
Managed	64 0	68 0	...	−
Property	279 0	294 0	.....	−
R W Imperial Gold	144 0	152.0	+1.0	−
UK Equity	379 0	399.0	....	−
Pension Funds				
American	154 0	163 0	+1.0	−
Building Soc. Fd.	170 0	179 0	.....	−
Balanced	219 0	231.0	..	−
European	166.0	175.0	+5 0	−
German	103 0	109 0	+1 0	−
Gilt	154 0	163.0	−1.0	−
International Equity	142 0	150 0	+1 0	−
Japan	136.0	144.0	−2.0	−
Managed	64 0	68 0	...	−
Property	215 0	227 0	.....	−
UK Equity	340 0	358.0	+1.0	−

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Grth Mngd.	596.6	628.7	−0.5	−
Adventurous Mngd	127 1	134 0	−0.6	−
Secure Mngd	108 7	114 6	−0 1	−
Cash Fd	232 3	244 8	+0 4	−
Property Fund	285 1	303.3	......	−
Equity Fund.	667 1	709 7	−0 7	−
Fxd. Int. Fund	292.9	311 7	..	−

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99½	98[illegible]	Exch 10pc 1989	99[illegible]	......	10.06	13.15
99[illegible]	98[illegible]	Exch 11pc 1989	99[illegible]	[illegible]	11.09	13.16
98	95[illegible]	Treas 5pc 1986-89	97[illegible]	[illegible]	5.11	10.86
99½	99[illegible]	Exch 10¼pcCv '89	99¼	......	10.31	11.39
101[illegible]	100	Treas 13pc 1990‡‡	100[illegible]	......	12.99	12.83
99[illegible]	98[illegible]	Exch 11pc 1990‡‡	98[illegible]	......	11.13	12.75
101[illegible]	99¼	Exch. 12½pc 1990	99[illegible]	......	12.51	12.56
94[illegible]	91[illegible]	Treas. 3pc 1990	93[illegible]	[illegible]	3.19	9.80
96¾	95[illegible]	Treas 8¼pc 1987-90‡‡	96¾xd	......	8.56	12.06
98[illegible]	95[illegible]	Treas. 8pc Cv 1990 ‡‡	96[illegible]	[illegible]	8.33	11.87
98[illegible]	97[illegible]	Treas. 10pcCv 1990	97[illegible]	[illegible]	10.28	12.16
91[illegible]	87[illegible]	Exch 2½pc 1990	90[illegible]	[illegible]	2.76	9.52
101[illegible]	99¼	Treas 11¼pc 1991	99[illegible]	[illegible]	11.80	12.02
92[illegible]	89[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]	......	6.26	10.70
89[illegible]	86[illegible]	Treas. 3pc 1991	89½	[illegible]	3.35	8.98
100[illegible]	96[illegible]	Treas 10pc Cv '91 ‡‡	96[illegible]	[illegible]	10.33	11.73
101[illegible]	98¼	Exch. 11pc 1991	98[illegible]	[illegible]	11.15	11.65
94[illegible]	91[illegible]	Treas. 8pc 1991	92¼xd	[illegible]	8.67	11.62
106[illegible]	102[illegible]	Treas 12¾pc 1992‡‡	103¼	[illegible]	12.35	11.27
99½	96[illegible]	Treas 10pc 1992	96¾	[illegible]	10.31	11.31
94[illegible]	91[illegible]	Treas. 8pc 1992 ‡‡	91[illegible]	[illegible]	8.70	11.32
100¼	97[illegible]	Treas 10½pc Cv 1992‡‡	98[illegible]	[illegible]	10.71	11.27
85[illegible]	82¼	Treas. 3pc 1992	83¾xd	......	3.59	9.32
105[illegible]	102	Exch. 12¼pc '92	102[illegible]	[illegible]	11.94	11.26
109¼	105[illegible]	Exch 13½pc 1992	106[illegible]	[illegible]	12.71	11.17
94[illegible]	90[illegible]	Treas 8¼pc 1993	91[illegible]	[illegible]	9.00	11.02
100[illegible]	96¼	Treas 10pc 1993‡‡	97¼	[illegible]	10.28	10.86
108¼	104¼	Treas 12½pc 1993‡‡	105	[illegible]	11.89	10.93
87¾	84¼	Funding 6pc 1993‡‡	86	......	6.98	10.08
113¼	109[illegible]	Treas 13¾pc 1993‡‡	109[illegible]	[illegible]	12.49	10.83
94¼	90[illegible]	Treas. 8½pc 1994	91½	[illegible]	9.28	10.83
117[illegible]	113[illegible]	Treas 14½pc 1994‡‡	114	[illegible]	12.70	10.61
113[illegible]	109[illegible]	Exch 13½pc 1994	109[illegible]	[illegible]	12.28	10.83

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100¼	96[illegible]	Treas. 10pc Ln. 1994‡‡	97½xd	[illegible]	10.25	10.64
110¼	105[illegible]	Exch. 12½pc 1994	106[illegible]	[illegible]	11.73	10.83
96[illegible]	92[illegible]	Treas 9pc 1994‡‡	93[illegible]	[illegible]	9.63	10.60
108[illegible]	104¼	Treas 12pc 1995	104[illegible]	[illegible]	11.43	10.79
79¾	74½	Exch 3pc Gas 90-95	77	......	3.90	7.93
101[illegible]	97[illegible]	Exch. 10¼pc 1995	98¼	[illegible]	10.45	10.68
113[illegible]	108[illegible]	Treas 12¾pc 1995‡‡	109[illegible]	[illegible]	11.63	10.63
119[illegible]	114[illegible]	Treas. 14pc '96	115¼	[illegible]	12.16	10.75
97½	93[illegible]	Treas. 9pc 1992-96‡‡	93¾	[illegible]	9.60	10.28
126[illegible]	121[illegible]	Treas 15¼pc 1996‡‡	122[illegible]	[illegible]	12.50	10.67
117[illegible]	111[illegible]	Exch 13¼pc 1996‡‡	112[illegible]	[illegible]	11.77	10.64
101[illegible]	96[illegible]	Conversion 10pc 1996	97[illegible]	[illegible]	10.27	10.50
118[illegible]	113	Treas 13¼pc 1997‡‡	113¾	[illegible]	11.65	10.57

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

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AMERICANS – Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if *calculated on "nil" distribution. Covers are based on* "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ *Interim since reduced, passed or deferred*
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .... γ	108	.....	Arnotts ..	450xd	.....
Craig & Rose £1.. γ	720	..	Carrol (P.J.)....... γ	150	.....
Finlay Pkg 5p ... γ	88xd	.....	Hall (R. & H.).......	157	−1
Holt (Jos) 25p ... γ	1325	....	Helton Hldgs....... γ	76	−1
IRISH			Irish Ropes..........	200xd	+5
Cap 8½% Ln 1991...	£98	......	United Drug.........	140	......
9pc Cap Ln. 1996 .	£97¼	......			
Fin. 13% 97/02...	£118	......			

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend May 27/May 28 1989

Thatcher ends tough week on upbeat note

By Philip Stephens, Political Editor

MRS Margaret Thatcher yesterday sought to bolster morale in the Tory party at the end of a week in which the Government found itself buffeted by financial markets and facing a renewed bout of jitters among its supporters at Westminster.

The Prime Minister underlined her determination to stick with the "conviction" politics which have characterised her 10 years as Prime Minister and to avoid bending to the "fashions" of the day.

In Britain, Mrs Thatcher said, the past "momentous" decade had been one of achievement. The balance of power had been transferred from Government to citizen, and liberty and prosperity had been restored.

On the international stage, Britain would stick to a policy of marking out its ground on the fundamental issues of defence, freedom and human rights and then of standing "firmly and unshakeably upon it".

The Prime Minister's characteristically upbeat assessment, delivered at a ceremony granting her the freedom of the City of London, was designed to reinforce her reputation for resolution and to dispel anxieties among backbench MPs that the Government was at risk of losing its way.

The view at Westminster is that it has not been a good week for Mrs Thatcher.

During the past few days an administration that prides itself on setting the agenda has looked reactive, at risk of being pushed along by, rather than in charge of, events.

Rumblings on the Conservative benches have begun to break out into the open. The Labour Party – though *set back by Mr Neil Kinnock's angry* dispute on Thursday with a BBC radio interviewer – has had a new spring in its step.

There is as yet no sign of a crisis of confidence among Mrs Thatcher's supporters. A few disgruntled voices among ministers and MPs can too easily be mistaken for a full-scale rebellion.

But a week that saw the Prime Minister obliged to give two public demonstrations of loyalty to her Chancellor, interest rates forced to their highest level since early 1985, and a continuing split over policy towards Europe has not been one to bolster confidence.

Relations in the upper echelons of the Cabinet are said by insiders to be less than friendly.

In spite of her public support for him in recent days, Mr Nigel Lawson is thought to be deeply irritated by Mrs Thatcher's *recent comments on the* economy and by her implied criticism of his exchange rate policy.

Sir Geoffrey Howe's attempts to force *a reappraisal of membership of the* European Monetary System's exchange rate mechanism has been bluntly squashed by Downing Street.

Some other ministers have also been privately questioning Mrs Thatcher's style.

At one level, there is no dissent from her view that the Government had to take a tough line against the spying activities of Soviet and Czech diplomats. But at another, there is some doubt about whether now was the best time for Britain to be cast in the role of a "cold warrior".

Unless a last-minute compromise is found, Mrs Thatcher runs the risk of being isolated at next week's NATO summit over her refusal to agree to negotiations with the Soviet bloc on reductions in short-range nuclear weapons.

One minister wondered aloud how the Government had ever allowed itself to be in the position of asking the US Administration to choose between *Britain and West Germany on an issue* – defence – over which Washington would always side with Bonn.

Meanwhile, the split in Conservative ranks on policy towards the European Community can be relied upon to stay *in the headlines at least until the June* 15 elections to the European Parliament.

Mr Edward Heath, the former prime minister, has promised another attack on Mrs Thatcher's tough stance on Monday. Mr Michael Heseltine, the former defence minister, sees an aggressively pro-European stance as central to his bid for the future leadership of the Conservatives.

It is the economy – and the tensions between Mrs Thatcher and Mr Lawson – which provide the main source of concern among the Government's backbenchers.

Signs that *mortgage rates will remain* stable for the time being took some of the heat out of this week's rise in bank borrowing costs to 14 per cent, but there was considerable unease that the financial markets, rather than the Government, had dictated the move.

It is the accepted wisdom among Conservatives that if they "get the economy right" then everything else – from worries over the health service to the impact of the poll tax – can be sorted out, usually simply by dipping into the "war chest" provided by a huge budget surplus.

The fear is that if the Government looks in danger of losing its grip on economic policy, then what now threatens to be a spell of the traditional midparliament blues may turn into a much more serious *slump in popularity*.

However, *Mrs Thatcher yesterday* had little time for such "faint-hearted" thoughts. Perhaps only half-jokingly, she referred approvingly to one of her predecessors as prime minister who "wrote the minutes of the cabinet before the meeting".

THE GOVERNMENT sought to take full advantage last night of the *outburst by Mr Neil Kinnock*, the Labour leader, against a line of questioning in a BBC radio interview this week, after a leaked transcript of the heated exchange revealed he had sworn during the exchange, Richard Donkin writes.

The disclosure of the clash between Mr Kinnock and Mr James Naughtie, presenter of the World at One news programme, was seized upon by senior Conservatives touring constituencies in the European election campaign as evidence that the Labour leader was not fit to govern.

While the transcript of the recorded row, cut from the broadcast interview, showed that Mr Kinnock stopped short of using four-letter words, his use of barrack room language gave the Government a welcome diversion from its own problems.

The disagreement flared after Mr Naughtie had repeatedly asked the Labour leader how he would go about reducing interest rates. After four questions Mr Kinnock brought the questioning to a halt and launched into an argument, saying: "I'm not going to sit on this programme and have a bloody . . . lecture on what the Labour alternatives might be in three years' time."

The Labour Party was playing down the row last night and said: "As far as we are concerned the matter is closed."

GDP contracts as energy output shows steep fall

By Ralph Atkins, Economics Staff

A STEEP fall in energy output led to a contraction in total UK economic activity in the first three months of the year, according to Central Statistical Office figures released yesterday.

Gross domestic product fell by a seasonally-adjusted 0.2 per cent between the last three months of 1988 and the first quarter of this year. It was the first quarterly fall since 1985.

The fall in energy output was mainly the result of accidents in North Sea oil fields and unusually mild winter weather which cut fuel consumption. Compared with the first quarter of 1988, GDP was 1.9 per cent higher.

Even if the oil sector is excluded, the figures showed further signs of a slowdown in economic activity as last year's sharp rises in interest rates began to take effect. Non-oil GDP in the first quarter was 3.4 per cent higher than a year earlier, compared with 4.1 per cent in the fourth quarter of last year.

Further slowing in activity is likely through 1989, particularly if Wednesday's rise in base rates to 14 per cent is not reversed for some months. Yesterday the Treasury repeated its commitment to do whatever necessary to reduce inflation.

A sudden slowdown could reduce pessimism about the inflation outlook, providing some comfort for financial markets. Mr Bill Martin, chief UK economist at UBS Phillips & Drew, said: "We need the rate of growth of output to fall sharply just to get the rate of inflation slowing."

The CSO figures are based on the output measure of GDP. The preliminary output-based measure of gross domestic product stood at 113.3 (1985 prices, 1985=100) in the first quarter, compared with 113.5 in the fourth quarter of 1988.

China ready for purge of senior Party and military officials

By Robert Thomson and Peter Ellingsen in Peking

CHINA was preparing itself last night for a purge of senior Communist Party and military officials.

Lists of targeted leaders and alleged political crimes were circulating in Peking, and the future of Zhao Ziyang, the party general secretary, was in growing doubt. Reports that he was under house arrest and had been stripped of his post, however, were still unconfirmed.

China's power struggle appeared to be swinging back firmly in favour of the country's conservative faction headed by Li Peng, the prime minister, and Deng Xiaoping, the paramount leader.

An extraordinary meeting of the standing committee of the Party's Central Advisory Commission took place, chaired by the ailing ideologue Chen Yun.

The meeting was attended by a group of senior conservatives, who are supposed to have retired from active party work but who are clearly supporting Deng. He is orchestrating a drive against his opponents in the Party and has authorised a discipline campaign against liberal academics and social critics.

The meeting condemned a "secret plot" against party rule by the reformers who backed the student demonstrations, which have triggered China's biggest political crisis in ten years.

Although the meeting was not broadcast live, television viewers were shown still photographs of the fading revolutionaries and given a commentary on the committee's opinions. This criticised the secret plot "hatched by a very small number of people" and promised tighter ideological control of the country.

"This chaos has not come about by itself. One of the reasons is that we have relaxed Marxist-Leninist education for a period of time and weakened the party's ideological work," the Commission resolved. "We must struggle firmly against them (the plotters) and never yield to them."

Students maintained their protest vigil at Tiananmen Square but were on the periphery yesterday, as they awaited the outcome of the bitter power struggle within the walls of Zhongnanhai, the political leadership compound a few hundred metres from the square.

Conscious of the students' volatile presence, the commission sought to isolate targets of the political crack-down by separating the plotters from "the majority of patriotic students."

The comment was a warning that the students still have an opportunity to leave the square before the crack-down. Students convened a meeting at the square yesterday to decide how to respond to the Government's tough line. Most were determined to maintain their protest until the authorities granted their demand for a televised dialogue on press freedom and political reform.

Chinese sources said that there were two lists of targets for a Communist Party clean-out, prompted by the remarkable events of the past month. One is a list of political figures, including Zhao. The other contains the names of at least 40 outspoken intellectuals.

Premier Li was still attempting to maintain outward calm for fear of prompting further unrest, and it is known that party officials have adopted the same "neijin waicung" (internally tense, externally relaxed) approach in their disciplining of alleged offenders.

Suppression prospect, Page 2

Soviet radicals gain strength in Congress, but fail to win votes

RADICALS in the Soviet Union's Congress of People's Deputies – the country's super parliament – gained strength yesterday, but nevertheless still failed to win a string of crucial votes designed to liberalise the new political system.

In a day of bruising procedural battles, the progressive deputies in the Congress delivered a barrage of critical attacks against a carefully prepackaged agenda.

Eventually the 2,250 deputies broke up to vote for a new standing parliament – a 542-member Supreme Soviet – but were faced with only a handful of extra nominations to give them any choice.

The pre-chosen list from the Communist Party was strongly attacked for including too many party officials and *bureaucrats and criticised for* failing to reflect the range of deputies popularly elected to the Congress itself.

At the same time, a Donets coal miner complained bitterly that too many intellectuals and professors were listed.

"*Are we destined to work* with shovels for the rest of our lives?" he demanded. "Has the other half of the slogan been forgotten: All Power to the Soviets, Peasants and Workers. Have we forgotten the October Revolution?"

Yet the growing atmosphere of excitement in the Kremlin's vast Palace of Congresses, and in the streets of Moscow where the sessions are broadcast live on television and radio, suggests that a whiff of 1917 is creeping back into Soviet life.

Reformers attacked on a series of key issues, from the right to demonstrate outside the Congress to the need for professional politicians to *devote all their time to the new* parliament. They also indicated considerable dissatisfaction with the choice of *candidates for the Supreme Soviet*.

The first onslaught on the Communist Party leadership came from Tatyana Zaslavskaya, *a respected theorist of* Perestroika who denounced police action against a spontaneous Moscow demonstration *the night before. Dr Andrei* Sakharov, the veteran human rights campaigner, backed her criticism: "This is our youth, *our future*, our people. We cannot surround the people with the divisions which were used in Tbilisi."

The *growing support* for the progressives, whose most outspoken members come from Moscow, Leningrad and the Baltic republics, was shown in the vote to suspend the law on demonstrations: 831 voted in favour and 1,261 against, the biggest radical vote yet in the Congress.

The vote came as hundreds of thousands took to the streets in Tbilisi, the Georgian capital, for the first time since 20 people were killed in a demonstration on April 9.

On the question of full-time politicians to serve in the new Supreme Soviet, 636 voted in favour and 1,419 against.

The proceedings were almost thrown *into disarray at one* stage, once more by open rebellion by the delegation from Lithuania, *the most pugnacious of the Baltic republics.*

Professor Vitautas Landsbergis, a musicologist, demanded the that each republic be given *the right to vote for its own* deputies, but Mr Gorbachev and others eventually defeated the move.

Blue Arrow

Continued from Page 1

development at Canvey Island in Essex. Last week, Blue Arrow's directors made a provision *to cover the possibility* that the loan might not be repaid, a decision attacked by Mr de Savary in newspaper advertisements.

A spokesman for Mr De Savary said yesterday that he welcomed the inquiry and intended to co-operate fully with the inspectors. Mr De Savary feels strongly that the *uncertainties surrounding* the loan had had an unfair and deleterious effect on his reputation.

The two inspectors are Miss Hillary Heilbron QC and Mr Michael Lickiss, an accountant with Grant Thornton.

Dollar

Continued from Page 1

general concern about the inflation outlook took a heavy toll on the market. The FT-SE Index lost 64.4, or nearly 3 per cent, over the week. Government stocks ended about a point lower over the week.

In London, the dollar closed at DM1.989, compared with DM1.995 on Thursday and at Y141.40 against Y141.95. In New York at midsession it was trading at around DM1.9805 and Y141.0 having traded as low as DM1.954 and Y139.84.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Man Ord.	289	+	9.5
Henkel	493.5	+	8.5
Lufthansa	175	+	3
Dresdner Bank	324	+	5.5
Schering	660	+	8
Falls			
Daimler	666	−	10
NEW YORK ($)			
Rises			
Ball Corp.	26	+	1
Bell Atlantic	87¼	+	1
General Elect	53⅞	+	1⅛
Olin Corp.	52¼	+	1⅝
Sea Containers	57	+	9
Falls			
Digital Equip.	91	−	1¼

New York prices at 12.30

PARIS (FFrs)			
Rises			
Synthelabo	485	+	50.8
Guyenne GA	970	+	56.1
Raffinage	137.5	+	7.9
Jean Lefeb	1334	+	71.6
Zodiac	1219	+	60.9
Falls			
Casino ADP	146	−	8.7
TOKYO (Yen)			
Rises			
Nisshin Kisen	1860	+	300
Sakura Rubber	1180	+	140
Misawa Van	1390	+	160
Falls			
Aiwa	1190	−	70
Takashimaya	3050	−	170
Anritsu	2000	−	110

LONDON (Pence)			
Rises			
Brit. Aerospace	682	+	10
Carlton Comms.	870	+	32
Coalite	452	+	7
Imry Merchant	475	+	17
Jaguar	357½	+	31½
Kingfisher	314	+	13
Kleinwort Ben.	295	+	7
Laird Group	276	+	6
STC	379	+	7
Smith (W.H.)	315	+	10
T.H.F.	324	+	8½
UEI	714	+	28
Ward White	309	+	21
Wimpey	285	+	8
Falls			
Allied-Lyons	441	−	6
Brit. Telecom	280½	−	7½
Kleen-E-Ze	175	−	70
RMC	773	−	17
Tiphook	493	−	19

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	Dallas		–	–	Madeira	C	20	68	Prague	S	24	75
Algiers	S	24	75	Dublin	S	14	57	Madrid	T	16	61	Reykjavik	F	8	46
Amsterdam	S	18	64	Dubrovnik	F	21	70	Majorca	C	21	70	Rhodes	S	21	70
Athens	F	21	70	Edinburgh	F	15	59	Malaga	F	18	64	Rio d'Janeiro		–	–
Bahrain	S	35	95	Faro	F	19	66	Malta		–	–	Rome	F	23	73
Barcelona	C	18	64	Florence	F	25	77	Manchester	S	15	59	Salzburg	S	23	73
Belfast	S	15	59	Frankfurt	S	26	79	Melbourne	F	14	57	S'Francisco †	F	11	52
Belgrade	F	22	72	Geneva	S	24	75	Mexico City		–	–	Santiago		–	–
Berlin	S	25	77	Gibraltar	C	19	66	Miami †	S	27	81	Seoul	F	21	70
Biarritz	F	22	72	Glasgow	S	16	61	Milan	S	24	75	Singapore		–	–
Birmingham	S	16	61	Guernsey	C	13	55	Montreal †	F	18	64	Stockholm	S	21	70
Blackpool	S	16	61	Helsinki	S	22	72	Moscow	C	23	73	Strasbourg	S	26	79
Bombay	F	32	90	Hong Kong	C	25	77	Munich	S	23	73	Sydney	S	18	64
Bordeaux	S	25	77	Innsbruck	F	24	75	Nairobi	C	23	73	Tangier	C	21	70
Boulogne	C	13	55	Inverness	F	14	57	Naples	S	27	81	Tel Aviv	S	25	77
Bristol	S	16	61	Isle of Man	S	14	57	Nassau		–	–	Tenerife	F	22	72
Brussels	C	18	64	Istanbul	C	15	59	Newcastle	S	15	59	Tokyo	C	17	63
Buenos Aires		–	–	Jersey	C	15	59	New Delhi	S	37	99	Toronto †	Fg	15	59
Budapest	F	22	72	Johannesburg	S	21	70	New York †	S	19	66	Tunis	C	21	70
Cairo	S	31	88	Las Palmas	C	22	72	Nice	S	23	73	Valencia	R	17	63
Cape Town	S	16	61	Leeds	S	15	59	Nicosia	S	23	73	Venice	S	24	75
Cardiff	F	18	64	Lisbon	F	19	66	Oporto	F	22	72	Vienna	S	20	68
Chicago †	S	16	61	Locarno	F	22	72	Oslo	F	17	63	Warsaw	F	25	77
Cologne	S	22	72	London	S	18	64	Paris	F	17	63	Washington †	F	22	72
Copenhagen	S	22	72	Los Angeles †	F	14	57	Peking	S	34	93	Wellington	C	11	52
Corfu	S	23	73	Luxembourg	S	24	75	Perth	C	15	59	Zurich	S	23	73

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

THE LEX COLUMN

The fight to cap the greenback

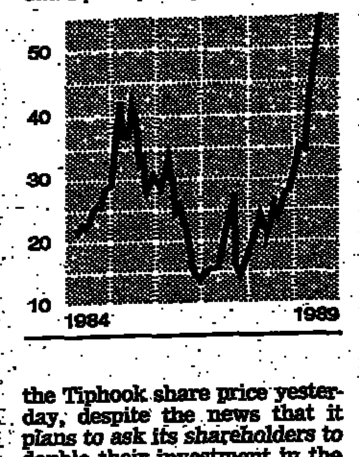
The fall in the dollar was so short-lived that it barely gave anyone time to consider whether the turn had come. But even without the benefit of hindsight, it should have been obvious that the 6 pfennig drop was nothing to get excited about. Given the speed of the dollar's rise, a small fall was inevitable anyway; add to that some help from the central banks, and the strongest possible indication of an interest rate rise in Japan, and it is not surprising that the setback was violent. What is slightly surprising is the refusal of the currency to stay down: evidently there are enough bulls about ready to buy the dollar at anything below, say, DM1.97, and hold it over a long weekend. It also shows that the expected action on interest rates next week – 0.75 basis points from Japan and between 0.5 and 1 point from Germany – is so well discounted in the money markets that the reality may only serve to push the dollar up more.

Meanwhile, yesterday's US trade statistics suggested that the rise in the dollar is not lacking in logic. The quarterly numbers show the volume of imports in the first quarter down by 1 per cent, and consumer imports down 3 per cent – which rather puts paid to any notion that the deficit has stopped improving. The danger remains that the dollar's rise will cause a monetary overkill everywhere else, with interest rates going up too far. The sight of a fall in the dollar yesterday seems to have hushed for now the talk of 15 and 16 per cent base rates in the UK, and allowed the equity market a peaceful end to a traumatic week. In fact, yesterday's antics on the currency markets do not alter the probability of further rises in base rates. The equity market could well have some further adapting to do.

FT Index rose 1.5 to 1,778.8

Sea Containers

Share price (cents)



Sea Containers

The combination of a buccaneering Swedish ferry company teaming up with a highly geared UK trailer rental company to break up Sea Containers has a superficial commercial logic. But at $50 a share it is hard to take the bid seriously; and while the privately-owned Stena has been known to gamble and lose heavily on earlier ventures, there is a danger that in its ambitions to play in the big league, Tiphook may end up paying far too much and ruin an impressive record.

Judging by the buoyancy of the Tiphook share price yesterday, despite the news that it plans to ask its shareholders to double their investment in the company, this risk appears to be outweighed for the moment by the potential rewards, which says a lot for Tiphook's management. Indeed, it does seem to be getting the better deal. It is doubling the size of its business and only paying 10 times earnings, or the rough equivalent of the market value of the container fleet it is purchasing.

With economies of scale and the superior productivity of its own operations, there should be no dilution in Tiphook's earnings. And while its interest cover of less than two times would frighten all but the most adventurous LBO proponent, Tiphook is confident that its business is virtually immune from any severe downturn in the world economy. Its record to date has been near faultless, and maybe container and trailer rental will boom in the next recession.

For Stena the logic of the deal is less obvious. If successful, it will inherit a fleet of ferries which are overdue for replacement, and in P & O it faces a competitor with much deeper pockets. In addition, the combination of Eurotunnel and the eventual elimination of duty-free shopping means that the profitability of cross-channel ferries at least will be under serious pressure. It may just be an attempt to flush out a white knight, but if so it seems an expensive exercise.

Magnet

Against the odds, the Magnet buy-out seems in doubt after all. Given the rise in base rates – which jeopardises not only the funding, but also the group's trading prospects – the big shareholders might have been expected to take the money and run. But if an institution like Sun Alliance is prepared to say publicly, as it did yesterday, that it is objecting on a point of principle, it deserves to be taken seriously.

The objection has partly to do with the terms offered for the convertible, but there is more to it than that. If Sun Alliance, or any other institution, is a bona fide long-term shareholder, it should not give way to the short-term ambitions of managers who are employed to work on shareholders' behalf. The logic, after all, is impeccable: the short-term prospects may look grim, but if the managers and their backers did not believe in the more distant future, they would not go ahead with the venture. Taken in isolation, there is no doubt that the deal should be allowed to proceed on grounds of expediency. But if institutions are prepared to block it on the wider grounds of deterring imitators, good for them.

Kelt

The oil industry did not think it would work, the City did not think it would work, yet the highly leveraged and extravagantly priced bid for Carless by the flimsy Kelt appears to have been a triumph. The company has realised £136m from Carless's esoteric bunch of downstream assets, and suddenly its six-month bridging finance at two points over Libor does not look so crazy after all. The upshot is that Kelt will have got its desired stake in the Wytch Farm oil field at a knockdown price, and be left with gearing at an apparently manageable level.

The lesson may be that, in the oil industry, the flaky independents are better at spotting a deal than the bigger companies: or perhaps Kelt was just lucky. Meanwhile, the prices paid by Repsol and the Kuwaitis show how anxious foreign oil companies are to get into the UK downstream market, even if it means paying handsomely for petrol pumps in the most out-of-the-way places. Above all, the whole thing casts doubt on Carless's defence: either it did not know how much its own businesses were worth, or it knew but declined to tell its shareholders. Either way, its demise begins to look rather less tragic.

Weekend FT

SECTION II

Weekend May 27/May 28, 1989

Taking the arts to market

Antony Thorncroft argues that the Government should accept its obligation to fund artists and free them for their proper role

Claudio Munez

EVERY NIGHT is party night at London's Victoria & Albert Museum. In the William Morris Room; in the great court hung with cartoons by Raphael; among the sprouting poplars in the Pirelli Garden, the wine is poured, the canapés consumed. Often there is a little light music in the background. Usually Elizabeth Esteve-Coll, director of the V & A, greets guests (although since Easter she has tried, in vain, to cut her after-hours commitments down from six a week to an idealistic three).

She is working overtime to raise the money to fix the disintegrating roof or to buy a Renaissance bronze. The guests have paid up to £4,500 to hire the plush surroundings for the evening; or are underwriting an exhibition; or are potential sponsors. A capacity for small talk and a strong stomach have become essential for any director of a UK arts institution.

Nicholas Serota, director of the Tate Gallery, and Richard Eyre, director of the National Theatre, are both ascetic-looking men who took over their respected responsibilities on the same day in September. Now, Serota finds himself glad-handing at the Tate four times a week, while Eyre gathers together a few actors after the show and pops up to dine with the sponsors of the latest NT production. So it goes on; through every theatre and opera house, art gallery and concert hall in the land, the most refined artistic brains of the generation are on the hassle. As Peter Jonas, of English National Opera, says: "It is very tiring and disagreeable to know that sometime during dinner you have got to touch your guests for £50,000."

There is no mystery about the cause of this enforced conviviality. The order has gone down from the Treasury to Richard Luce, Minister for the Arts, that there must now be two arts paymasters. The Government has promised to maintain its funding through the Arts Council and the Office of Arts and Libraries at a fixed level but, for growth, the arts must look to their own resources. They must sell themselves better – and thus attract larger audiences and higher box office receipts and get sponsorship cash. They must be weaned off subsidy and discover the joys of the market place.

The ENO has seen its grant from the Arts Council and Westminster City Council decline to just over half its £16m annual revenue, as against almost two-thirds five years ago. Other arts groups can record similar falls – the Royal Shakespeare Company gets around a third of its money from subsidy, as against 44 per cent in 1984, while the Royal Opera House, Covent Garden, has to make do with grants that cover just over 40 per cent of its costs, as against a half five years ago.

Under this strict monetary discipline the arts in the UK have been transformed, sometimes for the good, sometimes with dire results. Perhaps the most obvious examples of change are the major orchestras, such as the Royal Philharmonic. Ian Maclay, who runs the RPO, imagines the day, in about five years time, when the four leading London orchestras will receive no Arts Council subsidy. The RPO has seen its grant halved in the past decade – it now represents just 8 per cent of the orchestra's £5m annual turnover.

The RPO is a busy but much changed business. It has set up its own record label, RPO Records, which has sold 300,000 copies, brings in around £250,000 a year and already has the big companies chasing it for its back catalogue. It has established the RPO Pops, a band of musicians that gets 50bookings a year by playing the 1812 and the Blue Danube. There is also the RPO film and video company. By hiring itself out for engagements the RPO can earn £1m a year; from ensuring that 60 per cent of its concerts are sponsored it receives another £1m; the box office receipts from its own promotions deliver 30 per cent of income and there are recording deals and the odd film score. By operating at the limit of its capacity the RPO is just in the black.

But the main problem is not survival – it is about the reason for the orchestra and the quality of its work. Ian Maclay has scheduled three concerts of music by Peter Maxwell Davies for next season. "They will each cost about £45,000 to put on. We can expect £10,000 from box office receipts – on which we have to pay VAT – but, because it is adventurous music, we cannot find a sponsor. The Arts Council will be giving us £15,000 as a reward for our enterprise but this still means we will lose £20,000, which we can just about make up over the year from the pops orchestra, the record label, and so on. Without the Arts Council subsidy we could not think of playing anything challenging, interesting, new or costly."

The RPO has done everything expected of it but Maclay feels: "We are running harder to stay on the same spot." The well-founded criticism of the push towards the market is that it forces arts group directors to spend most time worrying about where the money is to come from, rather than with creative ideas.

However, there have been benefits from the enforced change in attitudes, often arising from the most unlikely sources. No-one passing through Trafalgar Square in London can have failed to notice a huge hoarding painted with scenes of life aboard a transAtlantic liner. Venture down Cannon Street and you can see a boarding representing local yuppies waving their Filofaxes. These are the work of Free Form, set up 20 years ago as a charity by a group of idealistic young artists who aimed to bring art to the masses. "We wanted to take art beyond the gallery, where few people go. We also thought the environment needed the artists' eye," says Barbara Wheeler-Early, Free Form director.

Free Form's work is best seen in a run-down Hackney council estate where, with the co-operation of local residents, it has transformed the squalor through better lighting, seating, and a large mural picked out in mosaic, tiles and cement relief. It is the kind of project which cries out for Arts Council funding – which it obtained in 1974 – and would seem to offer little marketing potential. But, with the political spotlight switching to inner city regeneration and Free Form courting business from the start, usually in its search for free materials for its projects, a happy conflux of interests emerged.

Developers are prepared to pay Free Form substantial sums – £50,000 would be typical – to provide a decorative hoarding while they rebuild the site behind: Free Form set up a company to handle this side of its activities, which produced a turnover of £250,000 in its first year. The profits go back into community work. Freelance artists are gainfully employed, there is more cash for brightening up inner cities, developers improve their environmental image – and the Arts Council can save on its subsidy for Free Form.

There are few moans about inadequate arts funding at the Theatre Royal in Plymouth. When Andrew Welch took over there seven years ago he was told that Plymouth City Council would underwrite the cost of running its new theatre if he could guarantee putting on a decent and popular programme. Unfortunately there were not enough good touring productions to justify the council's confidence and the annual subsidy from South West Arts would not allow Welch to mount ambitious productions from his own resources.

By the mid-1980s Welch had solved the problem. He made the Theatre Royal an originating house for shows that would then transfer to the West End or tour the country. A London producer, such as Ronnie Lee, could put together South Pacific in Plymouth for £750,000, less than half its West End cost, lick it into shape there and then transfer a working production to London. The formula worked. South Pacific provided the citizens of Plymouth with an enjoyable evening out – and went on to make more than £100,000 in income for its theatre. It is now returning for another season before going out on a national tour.

Such initiatives obviously let the Arts Council, and the Government, off the funding hook. The council has been quick to recognise the possibilities and last year set up an Incentive Fund, which has so far paid out £4.5m to almost 50 arts groups which showed themselves entrepreneurial enough to come up with ideas that could add to their income (including everything from computerised box offices to better catering facilities) if only they had a start up contribution from the council.

The programme has unleashed unexpected money-making ideas from the arts community. For example the Lead Mill in Sheffield, an inner city community arts centre which on the surface is little more than an extension of the welfare services, received £125,000 from the council to help it take over a dilapidated Georgian cutlery factory. It plans to convert the factory into a working museum, earning rent from the local craftsmen who hire space there. More to the point, with the factory as a tangible asset, the Lead Mill can borrow from the banks to further rebuild its arts centre.

The same spirit has caught the Colway Theatre Trust in Bridport, Dorset. It puts on community plays involving as many local people has possible, ideally with a local business contributing to the cost. Its latest, written by Arnold Wesker and celebrating the history of a new town, takes place in Basildon next month. Inadequate subsidy has prevented what director Bob Butler calls "the most revolutionary idea in world theatre from developing properly."

Butler has sold the idea to North America and will be putting on three community plays in Canada next year and one in Minneapolis next summer, for which a local company is contributing more money – $50,000 (£33,000) – for the project than Colway has received in subsidy for the past three years. His enterprise has been rewarded with £50,000 from the Incentive Fund.

Many arts organisations are too small, or too committed to the avant garde, to develop any belief in their own entrepreneurial gifts. Philip Hedley of the Theatre Royal, Stratford, east London, has laboured in vain to attract business sponsors for his community based productions, and the Royal Court in London's Sloane Square has been forced to close its Theatre Upstairs through lack of funding.

There is also something slightly unsavoury about the arts world being forced on to a commercial gravy train. For example the Aldeburgh Festival in Suffolk, (which at one time was earning more from two second-hand clothes shops than it received in local council grant) has received £167,000 in incentive money – but only so that it can convert a space into hospitality suites for potential sponsors. Aldeburgh also displays the more acceptable side of enterprise – it lets out its famous hall for 140 days a year to recording companies, earning £60,000 in the process.

But the real criticism of the Government's funding of the arts is that it has failed to keep its side of the bargain. It is not maintaining subsidy at the agreed level, hiding behind 2 per cent annual increases in its grant to the Arts Council which were fixed three years ago at a time when inflation was considerably lower. Now it is more than 8 per cent, and for the arts, which is a labour intensive industry, considerably higher. The money from incentive funding has succeeded in hiding a very real cash crisis in the arts which will break very soon.

The problem is well illustrated by the developments at the English National Opera, which puts on operas in English at the Coliseum in London. It earns glowing reports from Richard Luce and Peter Palumbo, Arts Council chairman, because it has done everything to foster the "self reliance" expected from arts companies. It has pushed up its sponsorship income from £300,000 six years ago to £1.62m (and director Peter Jonas believes it cannot go much higher); it has increased box office revenue over the same period from less than £3m to a planned £6m next year by boldly raising prices and by increasing audiences from 73 per cent of capacity to 87 per cent; it has subjected itself to a scrutiny by accountants Price Waterhouse.

All this takes up a great deal of Jonas's time. He reckoned he was spending up to 70 per cent of his day (and evening) money raising, even appearing on the Coliseum's stage after every performance for a month to appeal for donations from the audience. He never managed to deal with the real task facing the company: how to motivate the staff, which accounts for three quarters of the costs and represents the spirit of the ENO.

Now the ENO is budgeting for a deficit in the forthcoming season: a 2 per cent Arts Council increase in grant comes nowhere near its anticipated rise in costs. At the same time the National Theatre and the Royal Shakespeare Company are contemplating £1m deficits. These three national companies, along with Covent Garden, have drawn hope from Palumbo's committed support. He sees them as national flagships. But words are not enough: he must deliver.

There are signs that he will soon lead the Arts Council into battle on behalf of the arts. Leaders of national institutions are lining up behind him. Esteve-Coll, who has taken a terrific hammering putting the Government's policies into practice at the V & A, this week said that "candle end" economies on the arts had gone too far. Next year the V & A, thanks to a Treasury-negotiated agreement with the civil service unions, will have to pay out more in salaries alone than it receives in grant.

At a time when arts sponsorship is apparently peaking at just over £30m a year; when new initiatives, such as Artscard, the Midland Bank-backed credit card which ensures a tiny donation to an arts group of the holder's choice, are hardly likely to produce £2m extra for the arts within five years; and when opportunities for cutting costs and maximising revenue have now been all but exhausted, there really is no alternative to the Government accepting its traditional funding responsibilities and letting artists get back to the job of creation.

The Long View

The credibility gap in credit policy

BARRY RILEY

Shaken by another rise in short-term money rates and further dismal trade figures, the Government needs to prepare for policy changes

NOW THE arguments begin about who is to blame. I don't want to get involved in that, except to say that the brief episode of deutschemark-tracking in 1987 and early 1988 was of only limited relevance.

True, it led to the absurdity of the cuts in interest rates in the spring of last year, which aggravated the pressures, but the underlying problems go back further.

Nigel Lawson carries his share of responsibility, of course. But Britain's chronic problems of inflation and high interest rates are more fundamentally attributable to the depressing failure of the Treasury and the Bank of England to establish a prudent monetary framework and insist that it is complied with.

The most credible argument for entering the exchange rate mechanism of the EMS is, therefore, that we could then hope that foreign central banks would impose disciplines which our domestic authorities have so lamentably failed to do. On that basis, any time is ripe.

Our current burst of inflation was originally dismissed as a "blip", but, as I have argued several times in the past year or so, it goes back to the decision to abandon all serious money growth curbs in 1985.

It is not a short-term phenomenon. We have taken three or four years to get here, and realistically it must be assumed that it will take nearly as long to unravel the tangle.

Last December in this space I discussed the economic parallels between 1973 and 1988 and gloomily concluded that there would have to be a hard landing for the economy, while the outlook for inflation was considerably worse than anybody was then admitting.

At the time, City economists were predicting a peak of 6 or 7 per cent in the spring, and a fall back to below 5 per cent by the year-end.

Now the consensus forecast has moved up to a peak of near 8¼ per cent in July. But I think we shall be lucky not to see 10 per cent this year.

A vast overhang of money has been allowed to build up. Since 1982 the velocity of circulation of M4, the broad money aggregate that includes building society deposits, has fallen from 1.9 to 1.3.

Putting that another way, it would take an inflationary rise in money GDP of nearly 50 per cent to restore the velocity to its early-1980s level.

That is not a prediction. The outlook is not nearly as bad, because a lot of those deposits represent investment capital rather than spending money.

However, you don't need to be a dyed-in-the-wool pessimist to believe that there is plenty of finance there for price rises of 20 per cent to feed through over, say, a couple of years.

And even now, broad money growth proceeds apace, at 18-20 per cent year-on-year. Dearer money since last June has made no apparent difference.

The recovery in building society lending commitments announced this week suggests that house buyers are regaining some of their confidence. House prices nationally are still 28 per cent up on a year ago.

It is true that the overall mortgage market is less healthy than suggested by the figures for the building societies, which have been taking market share from the banks. But that is because the banks are content to concentrate on their buoyant lending to the corporate sector.

Inflation is an inevitable consequence of permitting the lending institutions to run riot in this way. The only effective counter would be a credit squeeze.

Simply to raise short-term interest rates, as the Government has done, has little effect except to sustain the level of sterling and make the balance of payments position worse.

There is a slight, but uneven and unfair, impact on consumer spending power – and this is progressively offset by the stimulus to pay demands.

Present policies have surely reached a dead end. The main response to 14 per cent bank base rates has been a wave of speculation that 15 per cent will come next.

As a first step towards getting a grip on events the authorities must seek to engineer a sharp rise in long-term interest rates, to the region of 15 per cent, at the same time letting short rates slip back

It is crazy that long-dated gilts should be yielding only 9½ per cent, giving a negative real yield to taxpayers. An incentive to savers to go longer would cut off the unlimited supplies of deposits to the banks and building societies.

But it would not be an easy trick to manage in the absence of a public sector borrowing requirement. There would have to be changes to the funding structures of the deposit-taking institutions.

Such a reshaping of the yield curve would have seriously negative implications for the equity market.

One of the most powerful supporting arguments for equities at present is that the yield ratio – the yield on long-dated gilts divided by the yield on equities – is only just over 2, a comfortable level.

But if the yield on gilts were to jump sharply, equities would look expensive on this basis.

More critically for the Government, sterling would be likely to fall quite a bit further (it has already been devalued by some 5 per cent this year) and inflation would quickly reflect the consequences.

But this bullet will have to be bitten. The alternative strategy of propping up sterling with high interest rates and squeezing industry as a way of holding down prices is surely not credible. The company sector must not be expected to act as the Government's scapegoat.

I daresay Margaret Thatcher will manage to find another one.

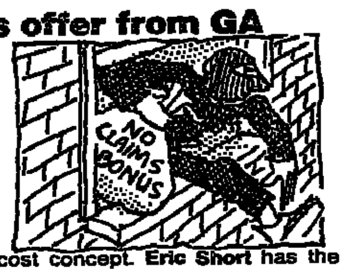
CONTENTS

MARKETS

Dollar puts a damper on the equity party

For equity investors in markets other than Wall Street the behaviour of the dollar this week has brought an *unwelcome note of discord to a party that had been going* with a notable swing. **John Plender reports. Page III**

No-claims bonus offer from GA



General Accident is to offer a trail-blazing policy of giving no-claims discounts to house insurance policyholders. However, they have also turned back the clock by *breaking away from the* 'new-for-old' replacement cost concept. **Eric Short** has the details. **Page V**

Check your life contracts

The introduction of independent taxation for married couples could affect the *taxation of insurance contracts*, so now is a good time to examine these in case some careful planning is required, says **Anthony Casswell. Page VII**

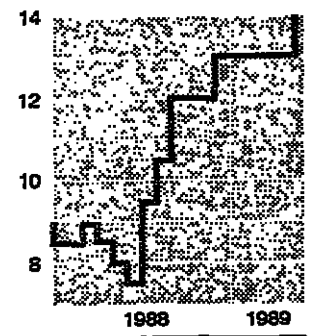
Are you a doer or a dreamer?

Psychologist **Fay Fransella** looks at the make-up of people who go *into business for themselves and finds two* disparate types: The Small Business Person and the Entrepreneur, while **Roy Hodson** meets two architects who have set up their own London practice. **Page VIII**

■ **BRIEFCASE:** Disposal of house: Page VII

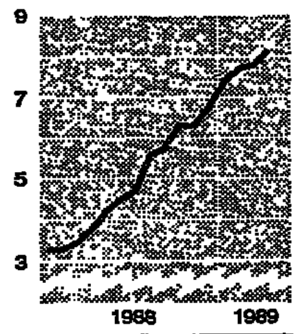
Banks' base rate

Percent



Inflation

Percent



Bank base rates rise to 14%

The rise in the UK bank base rate this week from 13 to 14 per cent is the tenth increase in interest rates during in the last year. It represents the latest attempt to defend the value of the pound and reduce what what the Government *describes as the "unacceptably high" level of inflation. The* latest Retail Price Index figure for April showed that inflation had climbed to the equivalent of an annual rate of 8 per cent.

However, the provisional figures for retail sales in April, released the same day, showed that an interest rate of 13 per cent had had the effect of curbing consumer demand, with the volume of sales falling by 1.4 per cent and retailers reporting a dull month in the shops. The current account figures released on Thursday showed a deficit of £1.66bn for April, markedly up on the March figure of £1.18bn, as exports fell and imports continued to rise. *Sara Webb*

Further redundancies hit City

Fears that further casualties in the securities market-making business might take place proved right this week when Credit Suisse Buckmaster and Moore (CSBM) announced the shut-down of its market-making and research operations in UK equities and traded options, along with 70 redundancies.

CSBM is the UK securities subsidiary of Credit Suisse, the Swiss bank, and has made losses in most of its market-making activities. The competition between market-makers which came in the wake of Big Bang has already forced out Morgan Grenfell, which closed its securities operations last December, and there has been speculation that others would have to follow suit. *S.W*

Close companies attack is eased

Many shareholders in family companies will be able to sleep easier from now on: the Government has largely dropped its attack on close investment companies (CICs). It has abandoned the special 40 per cent rate of tax which would have applied to such companies (broadly, those with fewer than six controlling directors and which get most of their income from investment) if they did not pay out most of their profits each year.

The one remaining penalty on the CICs that are left is that they will not qualify for the "small company" rate of corporation tax of 25 per cent, but will have to pay tax on their profits at 35 per cent. This, the Government says, should discourage people from trying to avoid a personal tax rate of 40 per cent by channelling their investments into a close company. *Richard Waters*

Building society deposits grow

With the current high interest rates home-owners may be wincing but at least savers can enjoy the benefits. The latest figures from the Building Societies Association show a surge in deposits during April, when the building societies attracted £1.175bn in deposits, the highest intake since October 1988 and a sharp improvement on the March figure of £813m. Meanwhile, mortgage lending to new borrowers rose slightly to £4.336bn in April from £4.254bn in the previous month. This was 10 per cent down on last year. The BSA says that the small increase in recent *months does not reflect an overall rise in demand for* mortgages but rather the fact that building societies have boosted their share of the home loan market. *S.W*

LONDON

Footsie struck down by a plague of problems

THIS WEEK in London had the lot – a heatwave, a mini-sterling crisis, a base rate rise, trade figures and several takeover bids. What with a flood at the Extel wire service headquarters and a fire disrupting the Stock Exchange's Company News Service, traders could be forgiven for scanning the horizon in search of a plague of locusts.

Even events in China played their part, since they caused a sharp decline in the Hong Kong equity market which, in turn, contributed to the uneasiness of London traders. The equity markets choked on the surfeit of news and at one stage on Wednesday morning the FT-SE 100 Index was down 86 points from its Monday opening level.

The May bull market which pushed Footsie through several post-Crash peaks and the 2200 barrier seemed to bear little relation to economic fundamentals. Two major economic indicators – inflation and the balance of payments – are decidedly on the blink.

When the April inflation figure of 8 per cent was announced on Friday last week, the markets reacted with surprising calm. Over the weekend, traders evidently thought again and realised, as the Treasury subsequently admitted, that inflation was likely to peak at a level higher than the Chancellor's Budget forecast of 8 per cent.

A bland Commons statement by Mrs Thatcher was then interpreted by foreign exchange traders as a sign that interest rates would not be increased. The pound fell by 3 pfennigs against the D-Mark on the day and a base rate rise was forced on the Chancellor the following morning.

Even the rise to 14 per cent may not have done enough to restore pro-sterling sentiment and some commentators are now forecasting that 15 per cent will follow. The risk of recession was then illustrated by April retail sales figures, which fell by a seasonally-adjusted 1.4 per cent.

The April trade deficit of £1.66bn was actually greeted with some relief since it was in line with expectations, but with economists now forecasting a £17bn deficit for the year, the figures were hardly a cause for celebration.

All this economic news tended to obscure an active week in the corporate sector. Wednesday morning, in particular, was full of company announcements, including a £486m rights issue from mining group RTZ; the launch of a £490m agreed bid for UEI, the graphics company, by television services group Carlton Communications; a £427m hostile takeover bid by Anglo United for rival fuel company Coalite; and an agreed £195m offer for Premier Brands from fellow foods group Hillsdown Holdings.

It was the timing rather than the size of the cash calls that provoked comment. The level of equity issues has been comparatively low this year and institutions are relatively flush with cash – a factor that persuaded many to be bullish about the markets earlier this year. However, every extra point on base rates means that the rewards of holding cash are that much greater.

RTZ will be hoping that the institutions can spare a few coppers to support its one-for-seven issue, designed to help pay for the £2.75bn purchase of BP Minerals. The initial signs were promising, with the group's shares falling only 18p to 493p on Wednesday, compared with the rights price of 435p, and analysts reacting favourably.

After some reflection, investors also took a kindly view of Carlton's bid for UEI. Having slashed the Carlton share price by 41p on the day the deal was announced, the shares recovered by 30p on Thursday.

Carlton, which also announced nearly doubled interim pre-tax profits of £42.1m, has enjoyed a meteoric stock market rise since it reversed into Fleet Street Letter in 1983.

In just six years the group has grown from an initial market capitalisation of around £15m to become a FT-SE 100 stock in under six years, and the merged Carlton/UEI will be worth around £1.7bn. It is a meteoric rise to match that of Blue Arrow, and Carlton chairman Michael Green will be hoping that the group does not match Blue Arrow's equally meteoric fall from grace.

While Carlton and UEI operate in one of Britain's newest and glamorous industries, Anglo United and Coalite operate in one of Britain's oldest – fuel. Coalite, chaired by former Labour energy secretary Eric Varley, has a rather wider spread of interests than its opponent – apart from fuel distribution, it is involved in quarrying, Dormobiles and even clay pigeon manufacturing.

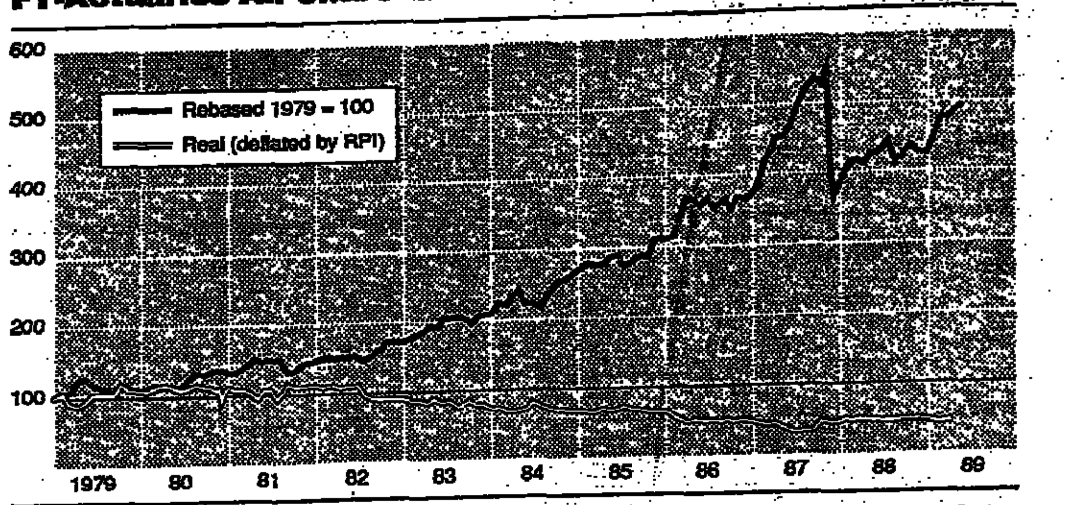
Coalite's earnings record has not been that inspiring but Anglo's bid is highly audacious. Anglo is capitalised at around 15 per cent of Coalite and the strain that the all-cash offer will place on the group's balance sheet will require a sheaf of disposals. However, Anglo argues that a combined company would have a 20 per cent market share in UK fuel distribution.

An even larger bid – around £500m – was launched yesterday by Tiphook, the UK container rental company, and Stena, the Swedish shipping group, for James Sherwood's Bermuda-registered Sea Containers, which owns the Sealink ferry service and the Orient Express.

The wave of bids and rights issues illustrates that British companies have not yet lost confidence in the face of the UK's economic problems. But perhaps the most significant deal of the week was the Bank of Yokohama's agreed offer for merchant bank Guinness Mahon. If the Japanese start making takeover bids, that really could underpin the equity market.

Philip Coggan

FT-Actuaries All-Share Index



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2140.3	-64.4	2204.7	1782.8	Base rates increases.
Allied-Lyons	441xd	-20	507	220	Bond shares placed.
Amersham	490	-26	552	464	Japanese suspend drug sales.
Beecham	624	-24	667	463	Details of US merger revealed.
British Gas	174½	-9	185½	156½	'Switch' rec./prelim. figs. June 8.
British Telecom.	260½	-15½	298	255½	BZW 'sell' rec./prelims. Thurs.
Coalite	452	+33	456	319	Hostile bid from Anglo United.
Eurotunnel Units	1077	+135	1078	376	French interest & AGMs.
Glaxo	1381	-56	1452	1055	Fears of US sales growth slowdown.
Guinness Mahon	141	+12	142	118	Agreed bid from Bank of Yokohama.
Hillsdown	269xd	-19½	301	234	Acquisition of Premier Brands.
Kleen-E-Ze Holdings	175	-130	345	175	Interim profits fall.
Nash Industries	213	+70	225	110	27% stake changes hands.
UEI	714xd	+188½	720	390	Agreed bid from Carlton Comms.
Ultramar	305	-25½	335	285	Brierley 14.1% stake sold.

WALL STREET

A pause for consolidation

AFTER MORE than a month of unalloyed enthusiasm, US investors turned rather cautious this week. Few think that the rally is over but many are pausing to consider some adverse economic news and conflicting stories about Washington's attitudes to interest rates and the dollar.

It was billed not as a correction but a consolidation. For every seller taking profits from the big run-up in prices, there remains a buyer scared of staying out of the market.

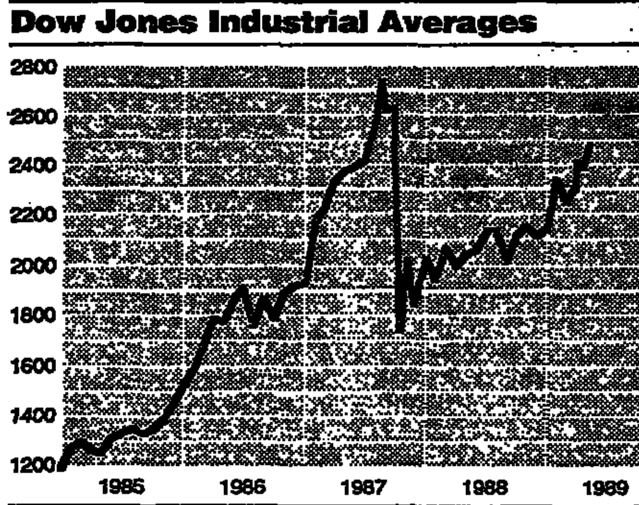
The underlying strength was apparent early on Monday when the Dow Jones Industrial Average swung through 27 points. First it rose rapidly in the slipstream of a soaring dollar, then it plunged on profit taking. The buyers returned after lunch to push it up less than a point on the day but to yet another post-Crash high of 2,502.02.

Stocks took a nasty knock the next morning with the news that durable goods orders jumped by 2.9 per cent in April with manufacturers reporting gains across most sectors. Some analysts downplayed the data, saying durable goods are a particularly volatile measure of future activity. Still, the figures indicated that the economy may not be slowing as much as hoped, so interest rates could remain firm.

The dollar was the bigger problem, however, as investors and traders suddenly saw the flip side of the strong currency argument. Until Tuesday, a robust dollar was deemed positive for equities because it would lessen inflation and encourage foreign buyers of dollar-denominated securities.

But as the dollar set a recent high against the yen of Y142.30, US investors began to worry about the impact on US companies. They were slow on the uptake. Chief executives of several companies, notably General Electric and Du Pont, had told their annual meetings several weeks ago that export earnings would suffer if the dollar rose much further.

Dow Jones Industrial Averages



Shares in car and drug makers suffered the most – the former for fear of greater import penetration, the latter for lost exports, or at least less favourable currency translation of foreign earnings.

Analysts are split on the subject. "I don't think for a minute that a stronger dollar will effect export competitiveness," says Lawrence Kudlow, Bear Stearns' chief economist and chairman of its investment policy committee. However, a rise in the dollar of another 5 per cent or so "would raise some serious concerns," according to Carmine Grigoli, chief investment officer at First Boston.

Kudlow argues that the dollar was more of a problem when it was undervalued and contributing to US inflation. It has since recovered to "a more reasonable level reflecting the underlying value of the US economy." Coupled with the outlook for slower growth and lower inflation, the stronger dollar has brought about "a significant improvement in market psychology this spring. We believe the US market is undervalued and will reach all-time highs in the next year."

Even though Grigoli has his worries about the rising dollar he thinks that the negative effect can be offset to some *extent* by other more helpful trends, such as falling interest rates and the overall economic picture of restrained growth and lessening inflation.

"The stock market has yet to fully reflect the positive fundamentals which have developed over the last six months. The Dow can easily achieve 2,600 this summer and make further gains by early next year."

Into this cheery picture intruded some uncertainty this week about Washington's attitudes to the dollar and interest rates. On the one hand it was reported that the Federal Reserve was leaning towards easing interest rates to lessen the upward pressure on the dollar. On the other, it was reported that the Bush Administration was planning to take a more flexible stance on the currency and could live with it rising further.

Both stories were strenuously denied, leaving markets assuming that there will be no immediate loosening of monetary policy but that there will be renewed efforts to hold back the dollar if the Group of Seven can get its act back together.

By the end of the week the dollar was behaving a little better. No longer rising irresistibly, scoffing at central bank intervention, it took heed of higher interest rates in the UK and Switzerland and the possibility that other countries would follow. Many traders believe, nonetheless, that the dollar rally, checked but not halted, has further to run.

Similarly, stocks are consolidating before pushing higher. In the short term the markets are "catching their breath and would need really, really good news" to make further gains, says Laszlo Birinyi of Birinyi Associates, financial consultants. But after that, "the fundamentals look very nice. There's tremendous strength in world markets."

Monday	2,502.02	+ 0.92
Tuesday	2,478.01	– 24.01
Wednesday	2,483.87	+ 5.86
Thursday	2,482.59	– 1.28

Rod Oram

JUNIOR MARKETS

Tailor-made for expansion

IF YOU were one of those gleefully vowed "never again" as you shed your uniform on the last day of school, you might be forced to think again. Dozens of companies are now kitting out their employees in "career wear" in the hope of spicing up their corporate identities.

Wensum Corporate, which is responsible for the slick outfits of Virgin Atlantic and Lloyds Bank, among others, is one of the companies at the forefront of this trend.

"In this country people have an aversion to getting into uniform," says Jean Phillips, managing director.

"But that is changing dramatically, because people like ourselves are concentrating on more fashionable designs."

This emphasis on fashion has taken Wensum Corporate a long way away from its roots. These can be traced back to wartime Hackney, where the *company was set up to manufacture* civilian clothing and dress uniforms, which were sold through the retail branch network of its parent company, Hornes.

Over the years this business has developed into Wensum Corporate and Wensum Clothing, which designs and manufactures own-brand suits, blazers and formal wear.

Until two years ago it was part of Hornes, the menswear chain. But as Hornes increasingly sourced its stock from other manufacturers, and as Wensum sought a more upmarket image, the link between the companies became decidedly obscure.

So when Sears, the retail giant, bought Hornes in July 1987, it seemed a golden opportunity for Wensum to launch a management buyout. Now, two years on, 3i, the investment group, and the three directors involved in the buyout are launching their company onto the Unlisted Security Market.

Smith Keen Cutler is due to launch the company *at the end* of June, when it will be valued at something under £10m. Just how much will depend, among other factors, on whether institutions have any jitters about the effects of higher interest rates.

The squeeze on consumer spending might conceivably affect the sales of suits, which retail at about £160 to £200 to shops like Austin Reed, Marks and Spencer and John Lewis. And economic uncertainty might force companies to delay expenditure on non-corporate clothing. So far, however, Wensum is highly confident that there are no traces of any slowdown.

Another prospective new issue that believes it has escaped the ill effects of higher interest rates is Allen, a Wigan-based housebuilder, contractor, developer and plant hire business.

Allen has the good fortune to be in one of the few areas of the countries that is still experiencing rising house prices – even though, the rate of price inflation is now slowing.

"Allen's confidence is based on the fact that the ratio of house prices to average earnings in the north west is considerably lower than the *national average. Furthermore,* Allen concentrates on what it believes is the more resilient low to middle priced market.

"A three bedroom semi-detached house in Wigan would typically cost under £40,000. Finding a house is still possible for the first-time buyer," remarks Donald Greenhalgh, chairman and managing director.

The company also gets a feeling of security from its carefully monitored balance between the four elements of its business. It is also proud of its rigorous system of financial controls and carefully calculated profits related pay – *all* of which helps it keep close tabs on its dispersed network of operating units.

Allen's placing, which is being handled by BZW, will take place in the first half of June and will capitalise it at about £25m.

Allen is just one of a number of companies from the north west that are poised to join the USM. Indeed, the frequency of USM issues from that area is a strong indicator of the renewed vigour of the region.

"We live like kings up there. It is amazing," comments Alan Moss, who heads Alan Paul, a *£12m Wirral-based chain of* hairdressers with perhaps the highest profile of the north west contingent. Moss and Michael Rowland, group managing director, are both former hairdressers and drive a bright red Ferrari with a "USM1" numberplate.

As well as the hairdressing salons, the company has a string of shops selling natural beauty products. This retail *chain* – which promises to be a direct competitor of the successful Body Shop empire – peddles environment-friendly potions ranging from marshmallow moisturiser to Dead Sea *mineral cream.*

A slightly lower key was struck by TLS Range, a vehicle rental company based in Salford, which will be valued at about £10m. Details were also announced by Faupel, a £10m importer of textiles from China.

Proof, if more is needed, that the USM new issue scene is bursting with life, will materialise in coming weeks. Debuts are being planned by a bewildering assortment of companies including a specialist engineer, a window frames company, an estate agent, a bridal gowns *specialist*, a leisure wear maker and an advertising company.

Vanessa Houlder

Hillsdown deal gives investors food for thought

Nikki Tait looks at market reaction to a major purchase in the food market

"IT'S THE BEST deal we've ever done," enthused Harry Solomon, the former solicitor who now heads Hillsdown Holdings, about this week's purchase of Premier Foods. It was a rather uncharacteristic moment of hyperbole. From a group *which in the heady bull* market days was buying companies – albeit much smaller – at a rate of one a week, it is no mean boast.

However, shareholders, seeing their shares knocked back by more than 5 per cent, may wonder if they should be equally ecstatic. After all, this is the second wave of Hillsdown paper to hit the market in two months. In April, the group's co-founder David Thompson placed out 60.5m shares (14.5 per cent) and now another 46.3m are arriving – together equal to a fifth of the enlarged group's equity.

There is a further, practical question: should existing investors swallow Hillsdown's message and take up the shares they are being offered to help fund the latest deal? Or should they leave them to the placees?

How significant the Premier deal is from Hillsdown's viewpoint is a matter of some debate. Worth some £295m (once the additional debt taken on by Hillsdown is included), it is the largest single acquisition by the group, whose interests range from food, through furniture and stationery, to *property and housebuilding.*

But is it also indicative of Hillsdown's future path? Premier was the vehicle for a £97m management buy-out of Cadbury-Schweppes' food and beverage interests in 1986, and consists predominantly of branded products like Ty-Phoo tea, Smash instant potato, Chivers preserves, plus use of the Cadbury names on certain biscuits and snacks. About 70 per cent of its £393m sales in 1988 came from branded goods – and as such, is something of a departure from a typical Hillsdown purchase.

Announcing the deal, Hillsdown was also quick to stress that more than 80 per cent of its sales will now be concentrated in the food industry, compared to some 70 per cent in 1987. It also hinted that some non-food disposals could be in the offing. "There may be certain parts of the group which are undervalued within Hillsdown at present," says Solomon - although he declines to say which these might be.

Certainly, any clarification of Hillsdown's future direction would be timely. A corporate image problem has bedevilled *it for two years and left shareholders* with an underperforming investment. Since the beginning of 1987, the share price has risen by about 20 per cent, against a 40 per cent advance in the food manufacturing sector generally.

There are various reasons for this. The group, only quoted since 1985, was initially formed by a succession of acquisitions. The company claims that it never overpays; the inevitable corollary is that it has tended to buy low-margin businesses rather than premium-priced assets. This gave it a concentration at the commodity end of the food business, and subsequent strategy has centred on margin enhancement through value-added products, efficiency gains, and so on.

However, as co-founder David Thompson started to ease out in 1987, the company's image became more blurred. The stock market crash effec*tively spelt an end to paper-*funded deals, and the City's worries really began.

A lower-key consolidation, including debt reduction, has been the order of the day since. But fund managers, wary that more deals and more paper would arrive and also fretting about the possible placing of the remaining Thompson shares, stayed shy.

It is against this background that the Premier deal – and the future rating of the shares – needs to be judged. The company seems to be doing what the City has asked of it: becoming more of a food group and less of a conglomerate and moving away from the commodity end of the sector.

And it has probably not overpaid for the privilege. The company suggests that the historic multiple on the deal is about 14 times and the prospective about 12, and analysts do not quarrel.

The structure of the deal means gearing is no worse, even slightly improved. Moreover, if Hillsdown's suggestion that some £10m of cost-savings and other benefits come through next year, no dilution is expected. On those grounds, then, many analysts are broadly supportive.

But maverick voices can still be heard. First, there are those who see Premier as a one-off opportunity, which nudges up the branded element but may not map out the future path of the group.

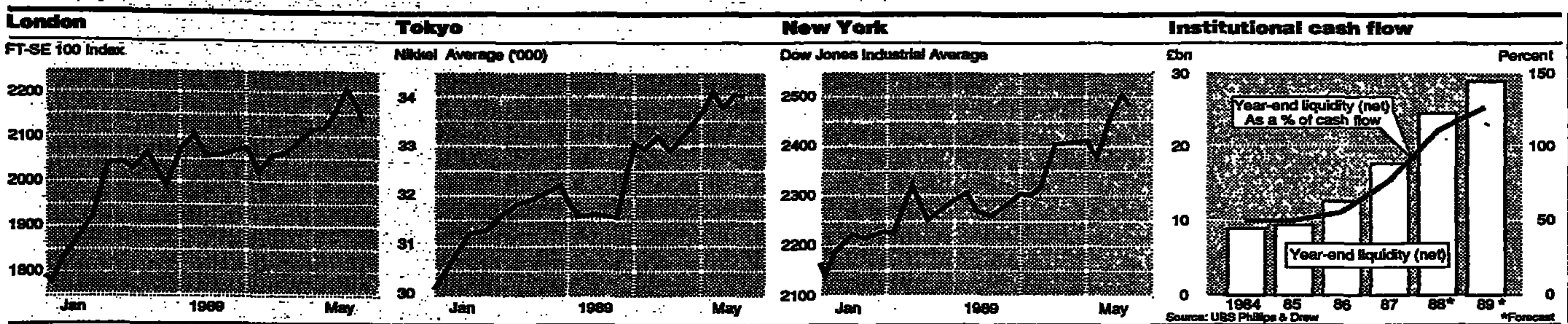
Others, meanwhile, wonder what sort of player Hillsdown will turn out to be in a rather different game, whatever the eventual extent of its involvement. The point is made that the group, in edging down the branded products path, comes up against formidable, experienced operators – Unilever, Allied-Lyons. Premier said the need for more resources to exploit its brand portfolio lay behind its decision to abandon flotation ambitions last March, underlining the reality that there is more to brands than buying the name.

That such thoughts persist suggests that shareholders might be well-advised to contain hopes for an instant re-rating. The market, it seems, is still reserving judgment.

As for the claw-back, volatile markets mean that no decision *should be made before the last* possible date. That said, the attractiveness of the offer probably depends on the investor's time-scale. The shares are available at 255p on a prospec*tive multiple of about 8.5 and a* substantial discount to the admittedly bid-inflated food sector.

Against that, the market is now digesting two waves of new Hillsdown equity *and* Premier's owners are also principally taking paper (which can only be sold on a phased basis some years out), which may engender potential overhang worries for the *future. In short,* the downside may be limited, but the upside could still take time to materialise.

FINANCE & THE FAMILY



John Plender discusses the inflationary pressures the US currency is putting on the rest of the world

Soaring dollar disturbs the party

FOR EQUITY investors in markets other than Wall Street, the behaviour of the *dollar this week has brought* an unwelcome note of discord to a party that had been going with a notable swing.

Until recently, it was possible for fund managers to argue that the monetary authorities in the US and Europe had done their bit to underpin the markets through some judicious pre-emptive tightening in the face of unexpectedly robust economic growth.

A peak in inflation and short term rates might then have been expected to pave the way for falling bond yields and a continuation of the upward trend in equities which began in 1987.

The trouble with the soaring dollar is that it exports inflationary pressure from the US to the rest of the world, where the cost of dollar-denominated imports goes up in terms of domestic currencies.

Suddenly, that peak in the rate of inflation looks more elusive. The markets now *anticipate further stringency* from the Bundesbank and, in the middle of the week, Japanese equities took a sharp tumble on similar grounds.

Worst hit were those whose *economic condition was* already fragile, like Britain, where pressure on sterling was enough to extract a base rate increase from the Chancellor before the trade figures were out.

The key question for the markets now is whether the dollar will continue to strengthen.

Some commentators, including US Treasury Secretary Nicholas Brady, choose to explain the dollar's rise in largely political terms: China in turmoil, a political vacuum in Japan and problems in Europe over short term nuclear weapons make a safe haven of the dollar.

A more down to earth explanation is that demand for dollars exceeds supply. US monetary growth has been slowing and the devaluation of the dollar since 1985 has caused dollar assets to become underweight in international portfolios.

The demand has been sharp*ened by what Goldman Sachs* calls a slowly emerging realisation that the US twin deficits are small numbers when taken as a percentage of anything that matters.

The final ingredient in this rationalisation comes from what might be called the do-it-yourself purchasing power parity theory of exchange rate determination. Most fund managers who have recently been to the US have been struck by the cheapness of the goods in the shops.

In a world of liberalised capital flows, such a change in perception tends to lead to a sharp bounce in the market place. So huge is the Japanese savings mountain, for example, that it takes only a tiny reallocation of cash flow, in percentage terms, to have a big impact on anyone else's market.

Given that much Japanese buying of dollar assets has been hedged through dollar borrowing in the Euromarkets, the bounce is magnified by gearing. Renewed confidence leads to dollar borrowings being repaid with yen, while new dollar assets are purchased unhedged.

Does this imply that Wall Street will henceforth be out of sync with other markets?

Having tightened monetary policy much earlier than West Germany and Japan, the US *might well be expected to go* on providing a happier hunting ground for the bulls.

But the evidence that inflationary pressure is now under control in the US is far from clear and the behaviour of the Tokyo market in response to any monetary tightening is hard to predict.

Indeed, the traditional linkages between interest rates and equities are no longer apparent in today's volatile global market.

In 1987, the real crash in Japan took place in the bond market, where long bond prices halved between spring and autumn. Yet this failed to exert any downward pressure on equities in the run up to the October debacle, even against the background of a soaring yen.

This year, the investors on Wall Street who took the Dow Jones Industrial Average to its recent peak were the ones who lost out earlier on the party because *they* were over-impressed by rising interest rates.

Similarly, Britain has seen no less than 10 hikes in short term interest rates in a year which signally failed to pre*vent the equity market hitting* post-Crash peaks.

The cumulative impact of the Chancellor's efforts admittedly came home to the market this week, where the hard pounding only eased off when the dollar yielded to central bank intervention.

But it takes bravery to forecast a dramatic slide in the Tokyo market on the basis of tighter money.

Most analysts who have been right about the dollar this year expect the trend to remain strong.

The implication could be that the real threat to equity markets worldwide may now lie less on the side of inflation than deflation. For if the Germans and Japanese feel obliged to tighten more and more in response to continuing currency weakness, recession will become a more plausible scenario than the so-called soft landing on which everyone is pinning their hopes.

London, meantime, must rank as a special case, with its more serious symptoms of economic mis-management.

After this week's fall it is still within 10 per cent of its 1987 peak, although there has, of course, been strong earnings and dividend growth since then. But on a price earnings ratio of just under 13 – only a little less than US equities – and a yield of 4¼ per cent, the market valuation scarcely looks generous, especially when cash is offering 14 per cent.

Nor, on the other hand, does it look overwhelmingly vulnerable. The institutions are relatively liquid, which helps explain a lack of real selling pressure this week.

Perhaps the position was best summed up by a director of one of Britain's leading fund management groups who told me that he had just emerged from an investment strategy meeting hopelessly unclear whether his firm was on the side of the bulls or the bears.

It could be that we are in for a period of drift, until economic events are perceived in the autumn to have taken a more decisive shift for better or worse.

No alarm over mortgages

HOUSE BUYERS need not be unduly alarmed by this week's rise in interest rates. The big building societies, which are the main influence on mortgage rates, have made it plain they will not put up the cost of their home loans for several months, unless there is another base rate increase.

With plenty of money coming in from investors, still apprehensive about the stock market, the building societies are under no great pressure to raise mortgages in the short term, especially as the demand for home loans is distinctly sluggish, with property prices sliding.

It is a slightly different story for the banks, and *centralised lenders in* particular, who rely on the wholesale market far more as a source of their funds for mortgages than savers' deposits. The wholesale money market rates have already risen so they face the choice of reduced profits, or even losses, if they do not put up the cost of their mortgages, or losing out to the building societies if they do increase their rates.

They have been using sophisticated financial hedging instruments to counter the possibility of higher rates and this will give them some breathing space.

Duncan Young, chief executive of the Household Mortgage Corporation, said this week he thought that centralised lenders would be able to hold on until the end of next month.

By then, interest rates ought to be showing signs of subsiding back towards the 13 *per cent mark. So it is* probably not sensible to be panicked by the prospect of higher rates into going for one of the fixed rate mortgages on offer at over 12 per cent. If you take one of these, you are assuming that over the two or three – year life of the mortgage, interest rates will be at current levels or higher.

That is a very pessimistic assumption. If it turns out to be wrong and rates fall, you will probably have to pay stiff penalties (perhaps the equivalent of three months interest) to get out of the fixed rate mortgage.

Real pessimists may care to consider what will happen if sterling remains so weak this summer that further increases in the banks' base rate are needed. Building society borrowers will probably fare better in these conditions than those with mortgages from other institutions, as they did during the interest rate peaks of the early 1980s.

Meanwhile, although there is unlikely to be any immediate rise in mortgage rates, there could be an end to the recent trend towards special offers of lower rates resulting from the fierce competition in the mortgage market at the moment. Buying market share will be that much more expensive.

If mortgage rates do not go up, it follows that the banks and building societies will also be slow to increase the interest paid on deposits. But again the recent trend to cut rates for savers should be reversed.

However rates paid on Money Market Accounts should show an immediate increase, since they are based on movements in the wholesale money market.

David Barchard

Eric Short on new rules for selling life assurance

Guiding the buyers

A BUYER'S guide for investors is planned by the Securities and Investment Board (SIB) as part of a package of proposals, governing the sale of life assurance and unit trust products, to be implemented this year.

Under the plan, you will first be presented with the guide — an official document which *explains the status of the person* seeking to make a sale and provides details of the commission and charges payable.

It will not be a long document — under two pages — and will be written in understandable English rather than industry jargon.

The Buyer's Guide is intended to prepare you for the coming sale, in particular to let you know your rights and what information will be provided to you, as a right, under the financial services regulations.

It forms one of the main innovations in the final disclosure proposals for life assurance and unit trust sales issued by SIB, the financial services watchdog organisation.

The disclosure proposals set out to ensure that investors know what they are buying, from whom they are buying, the status of the adviser and how much the investment is going to cost.

SIB has been wrestling with these disclosure proposals for more than three years.

One difficulty relates to whether members of the public can identify the difference between a company representative, or "tied" agent, and an independent adviser — and if they can, whether they understand the implications of the differences.

Until these proposals, SIB was relying on the intermediary himself to explain the difference — not an ideal method for investors to get an unbiased explanation.

In future the explanation will be made through the pro-

David Walker, chairman of SIB, which has spent more than three years on the plan

posed Buyer's Guide.

Two versions will be used — one for company representatives and one for independent advisers, each prepared by the relevant controlling body — Fimbra (Financial Intermediaries Managers' and Brokers' Regulatory Association) for independent advisers and Lautro (Life Assurance and Unit Trust Regulatory Organisation) *for company representatives.*

Each version contrasts the service provided by a company representative with that of an independent adviser.

In particular, the guide explains that a company representative is paid by his tied company and that the independent adviser is remunerated through commission from the life company, the amount of which the investor will be told in due course.

But, in each case, the guide emphasises that this remuneration comes out of the premiums or contributions paid by the investor and that it is not a free service by either. However, the wording could be made a lot stronger.

The guide goes on to set out briefly the rights of investors and the information they will receive. These include:

■ The adviser must explain the main features of the contract being recommended. This includes not only the benefits provided, but the investment risks and the costs.

■ The adviser must explain the investor's cancellation rights and whether a financial penalty could be incurred.

■ The company will provide the investor with full details of the product bought, including the charges and expenses involved, with an indication of the surrender (or transfer) values during the first five years.

■ If the adviser is a company representative then this will subsequently be confirmed by the company.

Finally, the guide effectively reminds investors that the adviser is there to help them, and if they do not understand what is being recommended, or they want more information on any aspect of the sale, they should ask the adviser.

Unfortunately, SIB has not kept up this brevity or clarity in the rest of its proposals on commission disclosure, expense disclosure and product particulars. So when this regulatory system comes into operation in January, investors are going to be swamped with a mass of paper containing a myriad of figures.

Life Assurance and Unit Trust Disclosure — Consultative Paper No 23, available from the Securities and Investments Board, 3 Royal Exchange Buildings, London EC3 3NL. Price £10.

FINANCE & THE FAMILY

The Week Ahead

British Telecom tracks slowdown in economy

IN A relatively quiet week for results, British Telecom announces its full-year figures on Thursday with analysts expecting a pre-tax profit of about £2.47bn for the 12 months to March 31, compared with £2.29bn in 1987-88.

The results are likely to show a tailing off towards the end of the financial year, reflecting the economy's gradual slowing. Inland telephone calls, which grew by 13 per cent in the first quarter, for example, are expected to have risen by only 8.5 per cent in the final three months.

For the year as a whole, constraints have been provided by the inability to reduce labour costs, because of pressure from Oftel, the industry watchdog, to improve services, and by the failure to increase charges.

Analysts argue that the huge capital expenditure should bring longer term benefits, as might the $1.5bn holding bought in January in McCaw Cellular Communications, the loss-making US cellular phone operator. For the time being, however, the city will closely examine Thursday's statement for signs of concern about slowing consumer expenditure.

M&G Group, Britain's largest unit trust operator, announces its interim results for the six months to March 31 on Thursday, with the City looking for a fairly modest increase in pre-tax profits from £10.7m last time to about £12m. Although the sector remains far below buoyant pre-Crash levels, there was a pick-up in unit trust investment in the first three months of 1989 on the back of the rising stock market.

Margins are expected to have improved, partly reflecting a rise in charges, although M&G remains below the industry average. Some analysts are cautiously optimistic, with one saying he would not be surprised if he had to raise his full-year forecast of £24m after the interims are revealed. The shares have recovered from Alan Bond's withdrawal at the end of 1988, and after a sharp fall to around 270p are now trading at around 330p.

Over the past fortnight, directors at Imry Merchant Developers may have spent more time worrying about what to do about the recently-unearthed Rose Theatre remains in Southwark, south London, than they have about the annual figures. But the former is unlikely immediately to check the march of the latter. Property companies have been producing a string of sparkling results, even if the stock market has been indifferent.

Imry will not be an exception. With a spate of developments completed, high rental growth in the investment portfolio and some notable sales – such as that of St George's Hospital at Hyde Park Corner to Alan Bond – net asset value is likely to show up in the figures for 12 months to March 31 as at least 50 per cent higher than a year previously. Brokers are expecting NAV per share to come out at 500p or more with pretax profits moving up to £22m-23m from £16.1m.

The favourable winds from the direct property market which have been behind Imry will also show up in the interims of MEPC, a much larger investment and development group, which also reports on Thursday. MEPC has a large portfolio of properties that provides a flexible development programme.

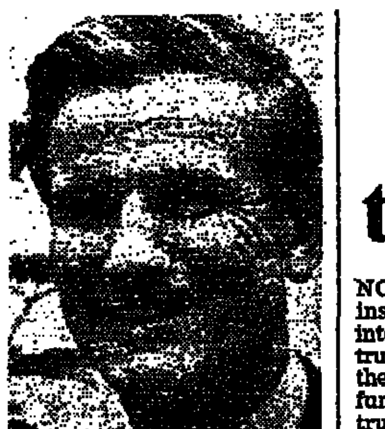
Earnings tend to come through more strongly in the second half, but at the interim stage there would be surprise on the market if pretax earnings were around £60m against £48.7m at this time last year. Net asset value is increasing steadily not only from rental growth but from the accumulation of development surpluses and by the September year-end could be more than 850p per share, 123p more than at September 1988.

The profit figure which Storehouse reveals on Thursday for its year to March 31 has been fairly academic since the group, under the direction of chief executive Michael Julien, warned in mid-February of significantly lower profits and a £48m exceptional write-off. The pre-tax number might turn out about £65m, before the write-off, against £107.3m in the previous year, excluding property profits.

More important will be the reaction of Asher Edelman, who controls around 8 per cent of Storehouse's shares and is deemed to have set off an "offer period" although no firm bid has been made. Equally Storehouse will be wanting to present its case for independence, though without giving away too much during this phoney war.

Westland Group, the helicopter manufacturer which is as well known for its political associations as its manufacturing skills, will announce interim results on Thursday.

The group was severely buffeted by delays in obtaining export contracts last year and revealed a dip in its annual pre-tax profits, after exceptional costs, to £17.4m (£18.4m) for the year to September 30.



Michael Julien of Storehouse: warned of lower profits

When announcing those results in December, the company claimed that there had been a sharp improvement in its order book. However, capacity has been dominated by a troublesome Sea King order from India and taxable profits are expected to slip at the half-way stage from £13m to around £11.5m. The second half is expected to be better, with analysts looking for a full-year figure of £24m.

Portsmouth & Sunderland Newspapers, the printing, publishing and retailing group, looks set to unveil pre-tax profits of around £5.8m for the full year on Friday.

At the beginning of the year, it attracted the attentions of David Sullivan, publisher of the Sunday Sport, who bought a 5 per cent stake. It proved only a brief encounter as he soon sold his holding to Associated Newspapers, but it did focus attention on the value of the group and did wonders for its share price. In February, Sir Richard Storey, chairman, announced pre-tax profits of £4.64m for the 39 weeks to December 31 and said that the company was looking for acquisitions. Shareholders will be keen to know if anything is shaping up on this front.

In The News

Norwich Union tests unit market

NORWICH UNION, the insurance group, is moving into the retail market for unit trusts for the first time with the launch next week of three funds: a UK equity growth trust, a gilt and convertible trust, and a Master Trust (fund of funds).

The group already runs several unit trusts which have about £500m under management but these have been used mainly for unit-linked investment plans rather than for selling direct to the public. It has now decided to launch these three new unit trusts as part of a wider expansion in the financial services field, and to follow these with a unit trust PEP and a range of unit-linked investment plans later this year.

The minimum investment is £500 for each of the trusts. The initial charge of 6 per cent is at the high end of the scale for unit trusts, while the annual charge of 1 per cent (which is waived in the case of the Master Trust) is at the lower end. The fixed price offer lasts for three weeks.

* * *

MIDLAND BANK plans to open several more Share Shops in big cities during the next few months. They will be open to all small investors, not just to Midland Bank customers.

The first Midland share boutique opened in Birmingham in 1986 and initially dealt mainly with privatisation shares. Midland charges commission of 1.5 per cent on the first £7,000 of shares, 0.55 per cent on the next £8,000 and 0.5 per cent above that. There is a minimum charge of £20, plus VAT.

Up to now, Smith Keen Cutler, Midland's wholly owned stockbroking subsidiary, has run the share shop, but in future it is going to concentrate on high net worth customers by offering discretionary and advisory stockbroking services.

* * *

WITH THE summer holiday season starting soon, Mondial Assistance has come up with a Family Tourer policy providing cover for families travelling to continental Europe by car.

For a single premium, which depends on the length of the holiday, the policy covers the whole family, irrespective of how many dependent children under 16 are accompanying their parents. It covers medical expenses of up to £2m per family, as well as personal public liability of up to £2m and personal accident of up to £20,000. It also includes cancellation and curtailment cover of up to £10,000, and as much as £2,500 for lost baggage.

If something goes wrong with your car while you are on holiday, the policy provides roadside assistance of up to £150, hotel accommodation of up to £100 per person, temporary replacement vehicle of up to £500, unlimited spare parts delivery, up to £25,000 in legal expenses and up to £100 for damage to the car due to forced entry. The premium ranges from £55 for five days to £96 for a month. There is an additional premium of £8 for caravans and trailers.

* * *

FOR MOTOR troubles back home, Executive Mobility Assured has launched a policy which gives car-owners a replacement car if their own vehicle is stolen or put out of action because of an accident. For an annual premium of £19.95, you can make two claims of up to 18 days in one year. If you hire a car, you have to pay for the first three days and the policy covers the next 18 days.

* * *

IF YOU fly London City Airways often enough during 1989 you can notch up enough free vouchers to invest in James Capel's recently launched European Index fund.

The investment vouchers are worth £25 each and only come with full fare return flights to Paris, Brussels or Amsterdam, so you need at least three to buy a unit in the fund. Normally the fund requires a minimum investment of £1,000, but airline passengers are being wooed with a minimum investment of £75.

So far, the European Index fund has attracted £8.6m from investors.

Sara Webb

Fidelity returns to PEP market

FIDELITY HAS re-entered the Personal Equity Plan (PEP) market. The company, which was one of the leading PEP plan managers in 1987, withdrew from the market in 1988, arguing that the scheme was too complicated and the tax advantages not great enough to offset the increased costs involved.

Now, after the big changes to PEPs announced in this year's Budget, it has returned. But initially it is only offering a new-style unit trust PEP restricted to a single investment of £2,400, the maximum permitted.

You have the choice of two existing funds, each with a good performance track record. These are the Special Situations Trust or the Growth Plus Income Trust. Alternatively, you can split your investment 50/50 between the funds and achieve a mixture of tax-free income and capital growth, although Fidelity will automatically re-invest all dividends, income and reclaimed tax.

No withdrawals are allowed in the first year and after that you can only withdraw a minimum of £1,000 at a time and must retain at least £1,000 in the fund. Fidelity argues that the main advantages of PEPs lie in building up a sufficiently large fund to be used to provide tax-free income or a capital sum.

There are no extra costs involved; only the standard unit trust charges of 5.25 per cent initially and annual management fees of 1.5 (Special Situations) and 1 per cent (Growth & Income Trust).

Fidelity, which already has 23,900 PEP investors in its 1987 scheme, will decide later whether to launch an additional PEP, which will allow you to invest a further £2,400 in shares, or a PEP mortgage, when it has assessed potential demand for these products.

John Edwards

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share*	Market price**	Price before bid	Value of bid £m**	Bidder
	Prices in pence unless otherwise indicated				
Anler	325††	317	203	19.04	Wassall
Boase Massimi	345*§	372½	304	118.49	BDDP
Boase Massimi	365*	372½	343	125.35	Omnicom
Chamberl'n Phps†	219	213	154	82.27	Evode
Chambers & Fargus	150*§	147	140●	9.50§	[illegible]
Coalite	425*	420	424	427.0	Anglo United
Gateway	195*	197	184	1.75bn	Isosceles
Guinness Mahon	149*	141	142	94.49	Bk. of Yokohama
Habit Precision	84	71	70	8.56	Episode
Keep Trust	650*§	593	618	58.8	Fitzwilton
Laidlaw Thomson	207§§	203	165	14.16	Newman Tonks
Lambert Howarth	157§§	201	150	8.65	Black (Peter)
M6 Cash & Carry	155*	150	142	12.02	Fitzwilton
Magnet	300*	297	281	548.22	DMWSL
Marler Estates	100	102	98	78.91	Conrad Hldgs.
Prop. Co. London	169	215	255	24.78	Lodge Care
Tootal	142§§	125½	132	401.19	Coats Viyella
UEI	744*	718	529	525.8	Carlton Comms.
WA Hldgs.	52	48	41	19.82	Haden MacLellan

*All cash offer. ††Cash alternative. ‡Partial bid. §For capital not already held. ††Unconditional. **Based on 2.30pm prices 26/5/89. ††At suspension. §§Shares and cash. ‡Amended. ●Price before indication of offer. ††14p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Anglo American Corp S. Africa	Thursday©	62.5	162.5	70.0
Anglo Leasing	Thursday	1.0	2.5	1.3
British Telecommunications	Thursday	3.75	5.75	4.25
Caffyns	Thursday	4.2	8.8	5.0
Channel Tunnel Investments	Wednesday	-	-	-
Control Securities	Thursday	-	-	0.375
Cook William	Tuesday	2.25	3.75	2.75
Dunhill Holdings	Wednesday	0.9	1.8	1.25
Edbro	Friday	2.1	6.5	3.0
Elswick	Wednesday	-	0.3	0.15
Gibbons Stanley	Thursday	-	-	-
Goldberg A & Sons	Wednesday	1.32	4.18	1.45
Henderson Administration	Friday	7.0	20.0	7.0
Imry Merchant Developers	Thursday	2.5	5.5	3.5
Optometrics (USA)	Tuesday	-	-	-
Plysu	Thursday	0.65	1.65	0.8
Portsmouth & Sunderland	Friday	1.21	4.07	1.51
Ralston Investment Trust	Wednesday	-	-	-
Rolfe & Nolan Computer Serv.	Tuesday	1.5	2.5	2.1
Siebe	Thursday	2.7	6.08	3.375
Storehouse	Thursday	2.5	6.3	2.5
INTERIM DIVIDENDS				
Crown Communications	Tuesday	-	3.0	-
Dwyer	Friday	1.0	2.0	-
Global Group	Wednesday	1.25	0.5	-
Group Development Capital Tst.	Friday	-	0.7	-
MEPC	Thursday	3.5	11.0	-
M&G Group	Thursday	3.5	5.0	-
Omnitech	Wednesday	-	-	-
Perstorp AB	Friday©	-	3.20	-
Sedgwick Group	Tuesday●	4.0	8.0	-
Sidlaw Group	Thursday	2.75	4.25	-
Strategem Group	Thursday	-	3.0	-
TSB Channel Islands	Wednesday	2.2	2.8	-
United Scientific Holdings	Thursday	2.7	4.6	-
Westland Group	Thursday	1.25	2.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ Per share, gross. ‡ Swedish krona. ● 1st quarter figures. © South African rands & cents.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Airflow Streamlines	Feb	3,390	(2,570)	24.9	(18.5)	6.0	(5.0)
Alpine Group	Dec	1,280 L	(94 L)	-	(-)	-	(-)
Apricot Computer	Mar	6,012	(8,205)	6.22	(9.53)	2.0	(2.0)
A B Foods	Apr	237,100	(210,400)	35.9	(30.5)	9.3	(8.3)
Beazer Group	Mar	491,000	(419,100)	39.7	(33.3)	16.0	(14.3)
BMSS	Jan	1,490	(753)	16.0	(9.12)	4.0	(-)
British Airways	Mar	268,000	(228,000)	24.3	(21.0)	7.75	(6.9)
British [illegible]	Mar	2,080	(2,070)	34.0	(36.9)	24.0	(23.5)
Castings	Mar	3,480	(2,740)	24.5	(17.3)	6.1	(5.0)
Chamber & Hill	Mar	1,870	(1,230)	39.1	(25.6)	9.0	(6.0)
Chillington Corp	Dec†	3,910	(3,090)	10.5	(5.7)	8.0	(7.0)
City of London PR	Mar	690	(611)	8.06	(6.6)	2.25	(-)
CLF-Yeoman	Feb	14,400	(9,540)	37.6	(23.7)	2.75	(-)
Colorol	Mar	55,900	(26,080)	23.0	(20.6)	7.6	(6.61)
Courtaulds	Mar	197,100	(220,600)	35.7	(40.8)	13.0	(12.0)
de Morgan Group	Apr	2,650	(1,470)	10.1	(6.27)	3.6	(2.5)
English & Int'l	Apr	1,260	(1,000)	-	(-)	5.4	(4.7)
Fairbriar	Mar	13,100	(6,618)	23.5	(14.9)	5.0	(3.4)
French Connect	Jan	668 L	(5,028)	-	(16.7)	5.25	(5.25)
Gates Frank G.	Dec	2,430	(2,020)	13.6	(11.1)	5.5	(4.5)
Harwell	Feb	10,410	(9,740)	8.53	(8.1)	3.1	(2.69)
Just Rubber	Jan	926	(889)	7.86	(6.49)	2.45	(2.11)
Land Securities	Mar	149,200	(133,600)	20.9	(19.1)	14.4	(12.5)
Lodge Care	Dec	300	(678)	2.6	(7.0)	2.75	(2.75)
London & Overseas Fr.	Mar††	1,010	(1,610 L)	0.3	(-)	0.6	(-)
MBS	Dec	14,100L	(5,200)	-	(4.7)	-	(1.0)
Monks Investment	Apr‡	3,720	(2,540)	4.79	(3.27)	4.5	(3.0)
Petrocon Group	Dec	449	(745 L)	1.94	(-)	-	(-)
Plessey	Mar	195,500	(171,500)	17.6	(16.0)	7.658	(6.66)
REA Holdings	Dec	707	(483 L)	6.2	(-)	3.0	(2.0)
Readicut Int'l	Mar	18,710	(14,720)	7.25	(6.8)	3.16	(2.73)
Saltire Insuran.	Mar	479	(477)	2.32	(2.25)	2.31	(2.25)
Thames TV	Mar	31,000	(27,750)	40.7	(36.8)	15.0	(13.2)
Trimoco	Mar	7,510	(5,100)	3.85	(2.75)	1.4	(1.0)
Value & Income	Mar	1,380	(1,220)	-	(-)	1.725	(1.44)
Vibroplant	Mar	11,070	(7,480)	17.8	(13.1)	3.0	(2.3)
Walker Greenbank	Jan	3,090	(7,100)‡	2.41	(4.83)	2.25	(2.25)
Westbury	Feb	36,280	(15,390)	60.8	(27.5)	8.5	(5.5)
Young & Co's.	Mar	4,620	(3,590)	21.5	(17.2)	10.2	(9.2)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Acorn Invest. Tst.	Apr‡	35 L	(27 L)	-	(-)
Albion	Mar	441	(316)	1.3	(1.0)
Alexanders Holdings	Mar	673	(562)	-	(-)
Appletree Holdings	Apr	861	(859)	1.1	(1.1)
Archer AJ Holdings	Mar	390	(140)	3.0	(-)
BAT Industries	Mar‡‡	324,000	(279,923)	-	(-)
Bett Brothers	Feb	1,580	(512)	1.85	(1.4)
Carlton Comms.	Mar	42,080	(21,180)	3.08	(2.45)
City Site Estates	Mar	1,520	(3,200)	0.5	(0.67)
Colonnade Develop.	Apr	174	(3)	-	(-)
Compass Group	Apr	11,700	(9,213)	3.0	(2.4)
Countryside Props.	Mar	11,130	(8,520)	1.3	(1.0)
Dobson Park Indust.	Apr	9,060	(9,110)	1.8	(1.9)
Fairline Boats	Mar	1,820	(1,520)	6.5	(4.0)
F&C Eurotrust	Mar	137 L	(151 L)	-	(-)
Greenall Whitley	Mar	19,500	(17,080)	3.3	(2.75)
Hawker Sidd. Canada	Mar*	9,030	(7,370)	27.0	(-)
Kynoch G&G	Feb	199 L	(11)	-	(-)
Leeds Group	Mar	1,430	(2,130)	1.0	(1.0)
Lonrho	Mar●	120,000	(90,400)	5.0	(3.43)
Perkom	Apr	125	(828 L)	-	(-)
PWS Holdings	Mar	1,780	(2,240)	1.0	(3.5)
Radio City (Mersey)	Mar	623	(308)	3.0	(-)
Radio Clyde	Mar	1,020	(608)	2.75	(1.75)
Ranks Hovis McDoug.	Mar	81,300	(72,600)	3.62	(3.18)
Richards	Mar	1,750	(1,630)	1.0	(0.9)
Shaftesbury	Mar	2,750	(1,460)	-	(-)
Smart J & Co.	Jan	1,790	(1,120)	1.75	(1.6)
Western Selection	Mar	881	(911)	1.7	(1.7)
Wheway	Apr	2,960	(1,920)	1.0	(0.5)
W'hampton. & Dudley	Apr	13,100	(11,216)	3.20	(2.15)
Yorkshire TV.	Mar	10,400	(7,820)	3.3	(3.0)

(Figures in parentheses are for the corresponding period.)
Dividends are shown net pence per share, except where otherwise indicated. L = loss.‡ Figure restated.● Second interim dividends.© Quarterly figures. Canadian dollars & cents.‡ Net revenue.† US dollars & cents.‡‡ First quarter figures.

RIGHTS ISSUES

CLF-Yeoman is to raise £18m via a one-for-four rights issue.
Harwell is to raise £33.5m via a four-for-nine rights issue.
Richardsons Westgarth is to raise £2.7m via a two-for-seven rights issue.
RTZ is to raise £486m via a one-for-seven rights issue.
Vibroplant is to raise £11.7m via a 3-for-20 rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Alan Paul is to join the USM via a placing of 1.43m shares at 140p.
Butler Cox has achieved a full Stock Exchange listing via a placing of 1.7m shares at 175p.
Faupel is to join the USM via a placing of 2.16m shares at 130p.
Propeller is to move from the Third Market to the USM via an introduction.
TLS Range is to join the USM via a placing of 8.31m shares at 80p.

Premium for each £10,000 contents		
Plan	Highest Rated area £	Lowest Rated area £
One Star	105.00	22.00
Two Star	130.00	24.00
Three Star	150.00	30.00
Four Star	160.00(a)	38.00(a)
Five Star	170.00(a)	48.00(a)

(a) Excluding valuables and portable possessions, and subject to minimum levels.

GA is to offer a trail-blazing policy of discounts on home insurance. **Eric Short** reports

'No-claims' bonus plan on home cover

IF A motorist has a trouble-free year – either by good driving or good luck or both – and does not make a claim on his insurance, his insurers reward him with a reduction in his next premium through the no-claims discount system.

No such reward has been available to householders who have had a claim-free year on their house insurance policies. Two leading insurance companies, General Accident and Eagle Star, did for years operate a no-claims bonus system whereby householders with five claim-free years received cover free in the sixth year, but it was a cumbersome system and both companies eventually dropped it.

But now General Accident is trail-blazing again, reintroducing rewards for householders who do not make claims as part of a complete revamp of its house insurance contracts.

Research by GA on what the public wanted from house insurance contracts showed that the majority still do not fully accept the collective responsibility inherent in an insurance arrangement. They want to be rewarded for not claiming. If they have not made a claim on their house insurance, they somehow feel that they have missed out. This attitude has hardened as premium rates have soared in the high-risk inner city areas.

This time, GA has styled its bonus system on the well-tried format for motor insurance, so that the rewards for a claim-free year apply immediately. However, it is proceeding cautiously. No-claims discounts will only be available on two of the five new house contents contracts being launched.

The initial scale of discounts range from 5 per cent after one claim-free year to 20 per cent after four years. A householder making a claim will go back two years in the scale for determining the discount on the next year's premium.

Existing GA policyholders holding a contents policy with at least the past year free of claims will start at the 5 per cent discount, but will have to build up to the maximum discount.

This scale seems paltry beside the existing scale for motor insurance, where discounts can be as high as 65 per cent of the basic premium. However, GA is not increasing its basic contents premium rates, so high discounts and over-generous treatment of existing policyholders cannot be expected.

One problem is that the discount is cut back or taken away when the householder makes a claim, irrespective of whether or not it was his or her fault. This system has already caused resentment among motorists, but it could be even worse in household insurance, where in most cases the householder can truly state that the claim was not his fault. Imagine the effect, for example, on policyholders of losing their no-claims discount as a result of the October 1987 hurricane.

No-claims discounts might be trail-blazing, but in other areas of its policies GA has put the clock back 20 years or more by breaking away from the new-for-old concept, under which an item lost, damaged, stolen or destroyed is replaced by a new one or the cash value.

The survey showed that many householders are deterred from taking out contents insurance because of the high cost of new-for-old cover, and would like the choice of cheaper alternatives.

So GA has resurrected the almost forgotten indemnity basis, which pays the cost of replacement less a deduction for wear and tear. It is expanding the use of the concept of partial new-for-old, where items more than five years old have a deduction in value for wear and tear.

GA has devised a star rating for its new contents insurance product range as follows:

- One Star Budget – a no-frills policy providing indemnity cover only.
- *Two Star* – wider cover on a partial new-for-old basis with optional accidental loss or damage additions.
- *Three Star* – as for Two Star but on a full new-for-old basis with optional accidental loss or damage.
- *Four Star* – includes accidental damage in the cover but on a partial new-for-old basis.
- Five Star Maxplan – complete cover on a new-for-old basis.

The no-claims discount applies only to the Four and Five Star plans.

One can understand GA's rationale of trying to provide a choice of cover. But do the householders themselves understand what they are buying?

At the time of taking out the insurance policy the lower premiums look attractive, especially to a young couple buying their first house and under cash flow problems. The crunch comes when a claim arises, when for cover on anything less than a new-for-old basis the settlement not meet the cost of replacing the items affected. The amount deducted for wear and tear is subjective and thus open to dispute.

However, where you live is still the most important influence on premium rates, as illustrated in the accompanying table for the highest and the lowest rated areas in Great Britain. No-one in a low rate should seriously consider a basic indemnity policy, but those in the high rated districts may well be tempted to do so.

Barings' timely index tracker

WITH EXCELLENT timing, bearing in mind the turmoil in the currency markets, Barings is launching next week what is claimed to be the first international index fund that allows you to protect yourself against movements in foreign exchange rates.

The World Index fund, based in Guernsey, will allow investors to track the indices on the London, New York and Tokyo exchange by use of futures contracts. At the same time you have the choice of hedging your investment in any one of four different currencies – sterling, the US dollar, Swiss Franc or the yen.

As a result the umbrella World Index fund includes 12 funds altogether, divided into two sections. The three index funds and nine hedged funds cover the different permutations available, such as following the Japanese market index and hedging your investment against fluctuations in the value of sterling.

Barings is using what it calls synthetic indexation by using a futures index contract to replicate the performance of the market. For London this means using the "Footsie" (FT-SE 100 share index) contract; for New York S & P (Standard & Poors) 500 index futures and for Tokyo the "Topix" (1st section index) contract.

John Bolsover, chief executive of Baring Investment Management Holdings, says this allowed the fund to match both the capital growth and yield on the index, since the cash set aside on deposit for the futures contract earned interest. The hedging facility enables you to protect your return in the currency of your choice.

Minimum investment is £6,000 or its equivalent in the other currencies. Initial offer period is June 5 to 15. There is an initial charge of up to 5 per cent of the subscription price and annual management fees are 0.28 per cent for the share index funds and 0.42 per cent for the hedged versions.

John Edwards

FINANCE & THE FAMILY

David Barchard reports on an increasingly popular innovation in the UK mortgage market

Securitisation: the new name of the game

IF YOU have a mortgage from Barclays Bank you may have received a letter telling you that the bank is considering "securitising" your mortgage and outlining the effects of this.

Securitisation of mortgages is relatively new to the UK, where it began only in 1987. In the US it is a long-established practice and about 60 per cent of mortgages are securitised. Barclays' decision to have a trial securitisation is one of several signs that the practice is catching on here too.

Last year £4.5bn of UK mortgages – about 6 per cent of the total issued during the year – were securitised, though none of these belonged to the clearing banks and the building societies, largely because the Bank of England had not spelt out guidelines for British lenders regulated by it.

Your mortgage was only likely to be securitised if it came from the new mortgage lenders who have entered the market in the last five years and currently account for about 15 per cent of mortgages.

This spring the Bank of England issued its rules on how institutions which it regulates are to conduct securitisation, hence the Barclays move, which is something of a brave experiment in bad times. The depressed state of the mortgage market means that 1989 is going to see many fewer securitisations than last year.

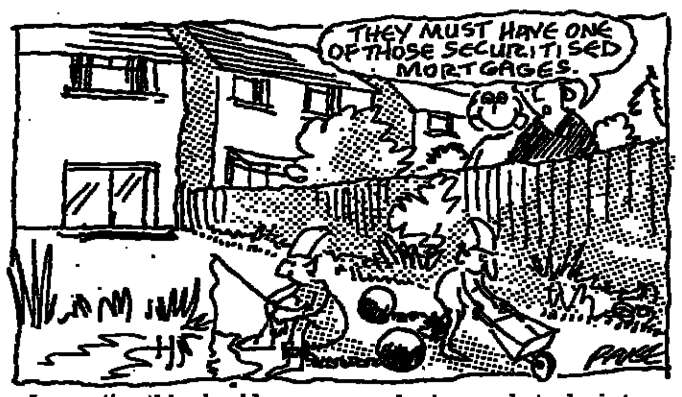
Barclays describes the proposed securitisation as "research and development" rather than a new mainstream activity. The first package of securitised mortgages is likely to be put together around the end of the month when Parliament has removed a tax snag which was inadvertently introduced by this year's Budget.

What is securitisation? It sounds fearsome, but the idea behind it is relatively simple.

A mortgage lender packages a group of mortgages into a portfolio. This then becomes a bond or instrument which can be sold and traded on the Eurobond market. This is good for the lender – who is freed to go ahead with new lending – and for the purchaser, who buys a high quality security very similar to a gilt.

But is it a good thing for the homeowner, whose home loan has now been sold to someone else (probably a foreign bank) without his or her knowledge?

Mark Wood, managing director of Mortgage Systems, a company which administers mortgages on behalf of other institutions, says that in practice securitisation will make virtually no difference to the consumer. Administration of the mortgage will not change hands when the mortgage itself is sold, and management of the interest rate is unlikely to be affected either.



In practice this should mean that a Barclays customer whose mortgage has been securitised will continue to correspond with the bank's mortgage processing operation and have his rate adjusted in exactly the same way as someone whose mortgage has not been sold off.

In theory the mortgage's new owner might try to adjust the rate. To do so, however, would be administratively difficult and would disrupt the securitised mortgages market, so it seems unlikely.

Securitisation may affect you if you are a homeowner who has difficulty meeting monthly payments commitments. Lenders have traditionally had a degree of flexibility here and some building societies have been known to turn a blind eye to a borrower with a regular income but who is temporarily unable to make monthly payments in full.

"Forebearance" is the trade term for this blind eye, and if your mortgage is securitised, the mortgage administrator has very much less scope for being gentle.

Indeed, if the mortgage statisticians have done their job, forebearance should not be necessary. Only the highest quality mortgages are eligible for securitisation, quality being determined by such factors as the age of the loan and the amount of equity the customer has in the house. Mortgages should have been running for more than six months and be for not more than 75 or 80 per cent of the value of the property to qualify for securitisation. These are the types of loan that ought not to get into trouble anyway.

There are other restrictions too, carefully assessed by statisticians to spread risk evenly in each portfolio. Mortgages in Scotland and Northern Ireland are not favoured for securitisation, perhaps because they tend to be smaller. There is a search for the wealthier, more sophisticated homebuyer.

Well-off borrowers tend to raise only one recurrent problem: they often spend part of their career working as expatriates, renting their home while abroad. Lending on tenanted accommodation is rated as a much higher risk for lenders than owner-occupied dwellings. "There is a much greater risk of the deterioration of the fabric in tenancies," says Wood. If you do let out your home while abroad, you might face more difficulties if your mortgage comes from a lender who goes in for securitisation than if it comes from one who does not. What you may be able to persuade the lender to do is to take your mortgage out of the "pool" of securitised mortgages in the portfolio and so ease the restrictions on you.

In the US consumers have another complaint. They say that selling a house is more awkward with a securitised mortgage because it upsets a lot of administrative arrangements and contractual arrangements between several different parties.

Securitised mortgages involve a cluster of relationships. Apart from the borrower and the original lender, there is also the institution acting as trustee for the bond, the new owner of the portfolio – and the company acting as administrator of the mortgages, though in some cases this will still be the original lender.

Wood says he believes that the administrative resistance which tended to crop up in the US when homeowners with securitised mortgages tried to sell their properties will not happen here. "The restrictions there tended to arise from the problems of the US Savings and Loans institutions and have no parallel here," he says.

Though Barclays is writing to warn customers that its mortgages may be securitised, many other lenders have equipped themselves with the power to securitise the loan by burying a clause in the small print of their contracts.

Building societies do not look likely to securitise in the immediate future, because they are awash with funds and do not need the extra lending power securitisation gives. If you are worried about securitisation, you should discuss it with your broker when taking out a mortgage. His advice almost certainly is that it will make no practical difference to your position.

FINANCE & THE FAMILY

The problems of authorisation

Richard Waters reports on the path taken by investment firms seeking acceptance under the Financial Services Act

FIFTEEN MONTHS after applying for authorisation under the Financial Services Act, there are still a considerable number of investment firms which have not been accepted, as listed below.

The clients of these firms are not covered by the City's compensation fund – unlike the clients of other investment firms. The fund, which pays out the first £30,000 of an investors' loss and 90 per cent of the next £20,000, came into effect last August. It has already been used to compensate clients of at least one failed investment firm.

The firms listed are technically known as "interim authorised," but don't be fooled by that. The point is that they are *not* authorised. They are only allowed to carry on in business because they applied for authorisation before the cut-off date of February 27 1988. Their cases are still being considered.

The list was far longer at the start of this year. As it shrinks, the proportion of firms on it which are having problems meeting the regulatory requirements is growing.

About one in four have had their applications for authorisation refused, but are able to carry on in business while they appeal. This compares with under one in ten who were under appeal nine months ago, when the list contained 2,000 names.

Says one regulatory body: "As time goes on there is a larger proportion of people on the list that the regulators are having problems with."

However, the listed firms are not totally unregulated. They are subject to review in the same way as fully authorised firms. Says one chief executive of an SRO: "It isn't just a matter of letting the thing sit on the hob and boil over – *although it would be wrong to* draw the inference that nothing could go wrong."

There may be a number of reasons for being on the list, some of them likely to cause more concern to investors than others. Unfortunately there is no way of telling one from another, since no public distinction is made. Some reasons are as follows.

Around one in four of the firms have had their applications to join a regulatory body rejected but are under appeal.

The regulators have not identified these firms individually. As the Securities and Investments Board says: "It's possible that a firm that appeals will have its verdict overturned. If we go round saying at this stage that it is not fit and proper, we could do irreparable harm to its business."

The Financial Intermediaries Managers and Brokers Regulatory Association, which regulates mainly small independent financial advisers, says that 40 firms are appealing against its rejection. This is about a quarter of the 170 that have applied but which are still only interim authorised.

Only the Association of Futures Brokers and Dealers, which regulates futures firms, announces publicly the names of firms which it has rejected but which are appealing against the decision. Currently, these are Acheson Corfield and Mordens, both London-based.

Very few of the firms that the AFBD has rejected in the past have appealed successfully. Only four have made it through to full authorisation after being turned down on their initial application. This compares with 30 firms which have ceased trading since being rejected by the Association.

Three firms – Afcor Investments, CSTC and Priority Life and Pensions – have been suspended by the regulators and are not allowed to conduct any investment business at present. A fourth, Noble Warren Investments, last week became the first firm to lose an appeal to the Financial Services Tribunal to have its rejection by the SIB overturned.

Other reasons for not making it to full authorisation include an inability to come up with the financial resources necessary to carry out a particular type of business, or disputes with regulators over which category of authorisation a firm should be in.

Some reasons for being on the list are more mundane. Some firms may have changed their business plans since submitting their applications. A *number of the FIMBRA* applicants may be deciding whether to become tied agents rather than stay independent, though their applications are still outstanding.

A handful of the firms (perhaps a dozen) are based overseas and have internationally known names in the financial community. *However*, they are not regulated in their home territory to do the type of business they do in the UK (for instance, investment management, which is more tightly regulated in the UK than elsewhere).

This means that the British regulators cannot rely on the regulators back home to do their job for them. The firms concerned have not come up to UK standards (for instance, by providing the necessary capital to back their UK business), and so cannot be authorised here. The problem is compounded by the fact that most are UK branches, and so cannot be capitalised separately. This presents almost a Catch 22 situation for the regulators: discussions are now underway to find a way of authorising these firms.

In the meantime, their clients are not covered by the compensation fund. However, their international reputations suggest that they are not likely to fold overnight. Firms in this category include Chase Manhattan Futures (UK), Dillon Read, Fleming Capital Management Inc, JP Morgan Investment Management Inc, Kidder Peabody and Shearson Lehman.

The list below does not include a further 51 overseas-based institutions which are interim authorised, but which are regulated at home to do the sort of business they do in the UK. Their full authorisation is awaiting cooperation agreements between the SIB and the home regulators.

'Interim authorised' investment firms

21st Century Real Estates, London W13; A. Qureshi Associates, Ilford; A.L. Goss Insurance Consultants, Weston-Super-Mare; A.M. Rodd, Crediton; Abercorn Finance Ltd., London SW1; Acheson Corfield & Co. Ltd., London SW1; Adelacourt Ltd., Manchester; Afcor Investments Ltd.; London EC2; Agraffe Ltd., Shaftesbury.

Akiba Financial Services, London N16; Albaraka International Bank Ltd. London W1; Alexander Carter Insurance Brokers Ltd., Sutton; Alliance Financial Management Partnership, Crawley; Amethyst Investments Ltd., London W1; Anchor Financial & Insurance Services Ltd., Peterhead; Andrew Reed & Company, Watford; Arlington Insurance, Manchester;

B. Whitmore Financial Services Ltd., Surbiton; B.M.T. Financial Services Ltd., London W1; Barbican Asset Management Ltd., Callington; Barron Lodge, Bristol; Barry Clayman Concerts Ltd., London W1.

Beauchamp Financial Services, Leamington Spa; Beaumont Le Sage Ltd., London EC2; Beech Hill Pension Trustees Ltd., Altrincham; Belden And Blake (UK) Incorporated, London SW1; Berkeley Credit Company Ltd., London SW5; Booz Allen and Hamilton International (UK) Ltd., London W1; Brian J. Stewart Investment & Insurance Services Ltd., Banff; Broad Securities Ltd., Birmingham.

C & J Investment Services, Harrow; C.B. Parikh, Kidderminster; Caledonian Investment Management Ltd., Manchester; Cameron Macintosh Ltd., London WC1; Cameron Mackintosh (Overseas) Ltd., London WC1; Castleroad Ltd., Haslemere; Catchfavour Ltd., London NW10; Chancery Insurance Management Ltd., London W1; Charterhouse Mercantile Securities Ltd., London W5; Chartwell Securities Ltd, London EC2; Chase Manhattan Futures (UK) Ltd, London EC2; Chintung Europe Ltd., London EC4.

Cleveland Capital Management Plc., London W11; Compacc, Sandy, Beds; Cornhill Management Ltd, London W8; County Financial Services (Pensions) Ltd, Manchester; Courthand Financial Services Ltd. Esher; Cowie Group Pension Scheme Trustees, Sunderland; Cranehind Management Ltd., Haywoods Heath; Crawford Insurance, Wrightington; CRT Europe Inc., London EC3; CSTC – Computer Systems Trading Co Ltd., London EC1;

D & J Finance Company Ltd, London E1; D. Derrick, Swansea; D.W. Thomas (Pensions) Limited, Redhill; David Cotton and Company, Tunbridge Wells; David Pugh Ltd, London W1; David Worth & Company Ltd., Birmingham; Deekay Financial Services, Slough; Deltaoil Overseas Inc Panama, Panama; Dillon, Read Ltd., London W1; Dividend Analysis Ltd, London EC2; Dunbartonshire (Solicitors) Estate Agency Ltd., Dumbarton;

ECL Management Ltd., London WC2; Edwin Hargitt & Co Ltd., London SW3; EFG (Investment Services) Ltd., Oxford; Empire Group (UK) Ltd, London E1; Equator Investment Services Ltd., London EC2; Escombe Associates, Croydon; Falcon Corporate Services, London W1;

Falmouth Oil Ltd., Falmouth; Felincraig Ltd., Windsor; Financial and Management Accounting Services, London NW9; Financiere Credit Suisse-First Boston, London W1; First Equity Financial Management Ltd., Cambridge; First Venture Capital (UK) Ltd., London W1; Fleming Capital Management Inc., London EC2; Flexi Finance and Investments, London E1; Fraser Simpson Overseas (Financial Services) Ltd., Isle of Man; Freud Lemos Ltd, London WC1; Frilsons Insurance Services, Swindon;

Galacorp Ltd., London W1; Garram Asset Management, London EC1; George A. Aplin and Company., Royston; George Rizk International Finance Ltd., London EC4; Gerhard Martens, Torquay; Goldcrest Financial Management Ltd.,-Windsor; Gordon Haw (Financial Services), Hartlepool; Gregory Major Insurance Services, Bergen, West Germany; Grimley J.R. Eve (Financial Services) Ltd., London W1; Grosvenor Trust Company Ltd., London W1;

H & M Financial Planning Services, Wolverhampton; H B Investment Services Ltd, Leeds; Hackremo Ltd, London EC2; Hadleigh Crawford (Life and Pensions) Ltd., London E6; Hants & Dorset Financial Services, Bournemouth; Harvard Securities Plc, London SE1; Haviland Financial Services Ltd., London N22; HMC Securities Ltd., High Wycombe; Home For Life Plc, Crawley;

Independent Financial Advice Centre (Rickmansworth) Ltd., Rickmansworth; Independent Money Information Ltd., Dundee; Investment & Financial Services Ltd., Leeds; Invincible Contracts Ltd., London E11; Islamic Investment Company Ltd., London WC1;

J M A Associates, London W1; J P Morgan Investment Management Inc, London SW1; Jarretts (Bond Management) Ltd., London W1; Jeffrey Quinn Consultancy Services, London SE26; JMS Real Estate Group Inc., London EC2; John Wilson Financial Consultants, Canterbury; Joint Financial Services Ltd, London EC1; Julius Baer Investment Management Inc, London EC3;

K W C Investments, Sidcup; K. Forsbury, London W7; Ken Redpath Financial Services, West Lothian; Kenneth John, Bridgend; Kent Information Technology Ltd., Dover; Kent Insurance Consultants, Southall; Kidder Peabody & Co Ltd., London EC2; Kidder Peabody Securities Ltd., London EC2; Klenner Securities Ltd., Munich, West Germany; Knight Williams Investment Services Ltd., London W1;

Lampier Financial Planning Ltd., Bristol; Leon Menzies Ltd., Buckhurst Hill; Lewis Altman & Company, London EC2; Lichfield Financial Services, Lichfield; Lloyd & Company, Birmingham;

M R Lawson & Sons, Birmingham; M.A. Coleman Associates Ltd., Pontnewydd; M.M.Insurances Services, Herne Bay; Malik Property Group, Rochdale; Managed Investment Services Company, Tunbridge Wells; Manchester Unit Trust Administration Ltd., Manchester; Mansion House Securities (UK) Ltd., London EC2; Marbohey Ltd., Sale; Maritime & Air International Ltd., London NW5; Marlin Management Co Ltd., Worcester; McIntosh Hamson Hoare Govett International Ltd., London EC2.

McIntosh Martin & Co Ltd, London EC2; McLeish and Company, Lincoln; Mellon Securities Ltd., London EC2; Metropolis Theatrical Productions Ltd., London SW1; Midland Financial Consulstants Ltd., Shrewsbury; Minerva Securities Incorporated, London SE1; Minto Associates, Grangemouth; Mitchell Clarke & Company, Sheffield; Monarch Assurance Services Ltd., Sale.

Money Concepts International, London E1; Money Management Financial Services, Wickford; Montano Securities plc, London W9; Mordens Ltd., London EC3; Moss Insurance Consultants, Hounslow; W Zeschmar Klockner & Co KGAA, London EC4; Muirpace Securities, London EC3; Munro Corporate plc, London EC2.

Neal John & Company, West Harrow; Nelson Trust Corporate Financial Services, Reigate; New Sovereign Insurance and Mortgage Consultants Ltd., London N15; Newchurch & Company Ltd., London EC1; NM Schroder Financial Management International Ltd., Guernsey; Nobel Investments Ltd., Wareside; Noble Warren Investments Ltd., London W1; Norwich Insurance & Finance Services Ltd., Norwich.

Odyssey Securities Ltd., London SE1; Ordinance Ltd., Birmingham; Overseas Corporate Funds (UK) Public Ltd., London W1; Owner Occupier Mortgages Ltd., Altrincham.

P.A. Consulting Services Ltd., London WC1; P.L.T. Financial Services Ltd., Woking; Parke and Company Ltd., London W1; Pepshare Ltd., London SE1; Permutt Brown Ltd., London W1; Peter Sutton (Help line), Wallsall; Pifsia, Ilford; Piper Jaffray & Hopwood Incorporated International, London EC3. Pixpalm Financial Services, London EC3; Placem Insurance Agency, London W2; Plantation Futures Ltd., Hitchin; Porchester (London) Ltd., Bristol; Powys Consultants Ltd., Powys; Priority Life and Pensions, Sheffield; Professional Investment Consultants, Leeds; Protected Asset Management Ltd., London SW3; Pullmann Estate Agents (Finance & Insurance), Slough.

R. & G. Financial Consultants Ltd., London EC1; R.A. Conboy Insurance Services, Stamford; R.M. Wade (Life & pensions) Preston; R.K. Shops & Business Sales, Milton Keynes; R.T.B. Investment & Financial Services, London W8; R.W. Associates, London N1; Rampart Securities, Chobham; Ravensbourne Registration Services Ltd., Beckenham; Reed International Consultancy, Birmingham.

Regentcrest Financial Services Ltd., London W1; Rhein Oel Gesellschaft Mit Beschrankter Maftung, London EC1; Richard Brain & Company, Stevenage; Rockefeller & Company Ltd., London EC2; Rowe Price-Fleming International Inc., London EC2.

Sallman Barrington Laurance (United Kingdom) Ltd., *London W1; Sealmere Ltd.*, Oxfordshire; Shearson Lehman Global Asset Management S.A., London EC2; Shearson Lehman Hutton International Inc., London EC2; Shepherd & Company (Jersey Limited), Jersey; Simagri & Company Ltd., Edgware; Simon Matthew & Company Ltd., Ingatestone; Sleipner U.K. Ltd., London W1.

Smith Barney Harris Upham International Inc., London EC2; Spectrum Capital Ltd., London EC3; Spencer Thornton Northcote Ltd., London EC2; Stagescreen Productions Ltd., London W2; Stanton Davenport & Company Ltd., Croydon; Stellar Corporate Management, London SW15; Steve-Goodge and Associates, Luton; Stoneleigh Investments Financial Planning Ltd., Coventry; Stoneleigh Investments Management Services, Coventry; Strutt & Parker Financial Services Ltd., Lewes; Sunfell Ltd., London SW7; Surgery Development & Finance Ltd., West Midlands; Sweby Cowan Financial Services Ltd., London W1.

The Corporate Initiative System Ltd., London EC3; The Policy Network Ltd., London EC3; The Really Useful Financial Services Ltd., London W1; The Southern Independent Financial Advisor, Southampton; Theodore Allen & Company, London WC1; Total International Ltd., Paris; Trans Action, Stourport-on-Severn; Tudorbury Life & Pensions Ltd., London W1;

UCB Bank plc, Wallington; UCB Group plc, Wallington; UCB Home Loans Corporation Ltd., Wallington.

Van Leesen Richardson & Co, London E1; Vanguard Investment Planners Ltd., Southall; Ventris Securities Ltd., London E18;

W.M. Asset Management Ltd., London WC1; W.M. Trustee Company, London WC1; Walker and Associates Ltd., Kingston-Upon-Thames; Wertheim Schroder International Ltd., London EC2; Wittonflint Corporation Ltd., Wembley;

Y.S.F. Insurance Services, London NW1.

FINANCE & THE FAMILY

Anthony Casswell looks at life assurance contracts

Check your policies

THE INTRODUCTION of independent taxation for married couples next April will not affect only income and capital gains taxes — it could also affect the taxation of your insurance contracts, so now would be a good time to examine any contracts you have in case some careful planning is required.

There is no capital gains tax on any life assurance or deferred annuity contract, provided that you are the original owner or that it was given to you either by assignment or through a policy trust. However, that does not mean the policy proceeds are tax free.

Policies are classified as either qualifying or non-qualifying by the Inland Revenue. The proceeds of qualifying policies which remain unaltered throughout the term are tax free at maturity.

The proceeds of non-qualifying policies give rise to chargeable events, as a result of which income tax may arise at the difference between the higher and basic rates — currently 15 per cent.

If you have a whole life, endowment or unit-linked assurance policy under which level regular premiums are payable for 10 years or more, with the prescribed level of life cover, you will have a qualifying policy. Temporary life policies can qualify with shorter terms.

All other policies, including single premium bonds issued after March 19 1968, are non-qualifying, so that chargeable events may arise at death, maturity, total or partial surrender, or if you sell them.

A chargeable event will also arise on a qualifying policy if you stop paying premiums before the end of 10 years, or any shorter period which is less than three quarters of the original term.

On all life policies effected before March 20 1968, and qualifying life policies started before March 14 1984, you are entitled to Life Assurance Premium Relief (LAPR), provided that the policy is written on the lives of one or both spouses and that one or both of you pay the premiums, while you are residing in the UK.

LAPR was reduced from 15 to 12.5 per cent from April 6 1989 but it still represents a valuable discount which is not available on new policies. It is, however, limited to £1,500 or one-sixth of your combined total incomes, whichever is the greater.

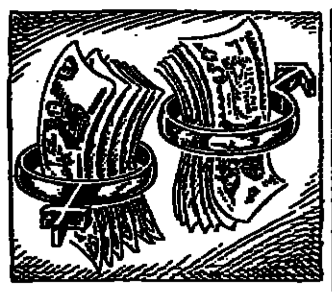
But from next April both you and your spouse will each be entitled to LAPR, equal either to £1,500 or one-sixth of your individual incomes. This should be borne in mind before surrendering a policy, or maturing a policy which has an option to continue.

On termination of a non-qualifying contract, the chargeable gain is broadly the difference between what you take out and what you have put in. Account is taken of any earlier partial surrenders and any tax paid on them. The gain is regarded as your top slice of income.

For example, if you invested £2,000 in a managed bond five years ago and surrender it now for £3,000, your chargeable gain will be £1,000, but if you have taken annual withdrawals of 5 per cent of the single premium — £100 for each of the past four years — your chargeable gain will be £1,400.

If you are a higher-rate taxpayer the charge will be at 15 per cent on £1,400, which is £210. But suppose that, after allowances, your total income is £300 below the basic rate limit.

Under top-slicing relief provisions the £1,400 gain will be divided by the five years that you held the bond to produce an annual gain of £280. After adding £280 to your income you will still be below the basic rate limit so you will pay no tax on your gains.



INDEPENDENT TAXATION FOR MARRIED COUPLES

Unlike capital gains, each insurance contract is assessed individually for chargeable gains, and you cannot offset the losses of one contract against the gains of another.

If you are a higher-rate taxpayer and your spouse is not you should delay surrenders of non-qualifying policies with gains until next April. In the meantime you should assign such policies to your spouse, for surrender after April, without any tax penalty.

These tactics could apply if you hold guaranteed income or growth bonds which are due to mature before April 6, 1990, but which include an option to extend the term.

If you are thinking of taking out any new single premiums policies, whether they be investment bonds, guaranteed income or growth bonds, or purchased life annuities, buy them in the name of the spouse who will not be a higher-rate taxpayer next year.

There is no capital gains tax, no inheritance tax and no chargeable event when insurance contracts are transferred between spouses. But, as both capital gains and insurance chargeable gains are assessed as the top slices of income, the effect can be cumulative.

Clearly, some careful planning now could yield handsome tax savings after next April.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	7.60	7.90	6.32	monthly	1	1,000-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.38	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.05	9.25	7.40	half yearly	1	500-9,999	90
90-day	9.50	9.73	7.78	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue♦	7.50	7.50	7.50	not applica.	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica.	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.07	10.55	8.44	monthly	1	2,500	0
Provincial Bank	9.78	10.23	8.18	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	10.77	9.50	8.74	half yearly	4	-	0
8pc Treasury 1992	11.38	9.28	8.61	half yearly	4	-	0
10.25pc Exchequer 1995	10.71	8.11	6.55	half yearly	4	-	0
3pc Treasury 1990	9.98	9.19	8.72	half yearly	4	-	0
3pc Treasury 1992	9.32	8.49	7.99	half yearly	4	-	0
Index-linked 2pc1992§§	8.89	8.38	8.07	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Disposal of house

I WAS granted an enduring power of attorney last October for an elderly spinster aunt who, because of failing health, was forced to sell her house and take up permanent residence in a nursing home.

Her income prior to this was little more than the basic pension for someone over 80. She had no income tax liability nor had she received an income tax return for nearly 30 years.

As the house proceeds have been invested in a high-yield building society account and a high-interest current account, her income will be above the tax free allowance. However, she will have no tax liability because of the tax-paid income, nor will she currently have a tax refund.

Do I have to request an income tax return from the tax office or can I leave the matter until the tax office makes the first move?

I realise that I may be able to maximise her income by using a safe source of gross income, such as the investment department of the national savings bank. This I can do when the long-promised funds for attendance allowance arrive.

■ We recommend that you advise the tax office of your aunt's change of address and ask for a tax return form, so that the fact that there was no chargeable gain (presumably) on the sale of her house may be formally determined.

Although you can, of course, fill in the form for your aunt, she will have to sign it herself. Inland Revenue Statement of Practice A13 says that they consider that the obligation to make the statutory declaration that one's tax return is, to the best of one's knowledge, correct and complete is within the class of statutory duties which a taxpayer cannot delegate to an attorney.If there are special circumstances you should outline the particular difficulty to the inspector.

Credit is refused

A FINANCIAL services company has refused me credit facilities. This does not bother me as I am able to obtain credit elsewhere. What does concern me is the loss — so far unexplained — of my credit rating.

As I am earning £17,000 a year, have been in my employment for 25 years, have no mortgage, do not pay rent and have only a master loan outstanding — which is paid by direct debit — I consider that the refusal of credit is an insult.

Could you advise what action I can take to restore my credit rating.

■ You should make a formal application to the company, giving written notice under Section 21 of the Data Protection Act 1984, requiring them to inform you of any data held by them relating to you (and offering to pay their proper fee). Unfortunately, this might be of no avail if the data is held by another concern. In that case, your only course would seem to be to engage an inquiry agent to see if he can unearth the source of the company's response.

Acting as wife's agent

1. ALTHOUGH my wife has a separate account and agreement with our stockbrokers, I have been acting as her investment adviser and have placed buying and selling orders for her. Is this acceptable practice?

2. We have a joint bank account, into which her dividends are paid as well as my own. Should her dividends be paid into an account in her own name?

3. How does one make it abundantly clear that one's wife is free to spend the income and proceeds of any sale in any way that she likes? Must one write her a letter to this effect every time one makes her a gift, or is there any other suitable way?

■ 1. There is no reason why you should not so act.

2. It is sufficient to continue with the joint account, but it is desirable that your wife should operate the account herself as well as your doing so.

3. There is no need to write a number of letters, but one general letter setting out the position, coupled with actual drawings made by your wife on the joint account for her sole use, would be desirable. If all operations on the account were effected by you, it might be concluded that your wife was merely a nominee.

Joint-owned investment

My wife and I jointly own our house valued at over £200,000. My half is left on my death to my four children and so too is my wife's half.

If on the death of one of us, the survivor wishes to sell — and I assume the children acquiesce in this — will there be: 1) any particular legal and financial problems for the survivor? 2) supposing that the survivor's half is insufficient to buy a particular property, would the heirs of the other half be able to lend sufficient money from their half to enable the survivor to buy that property without incurring penalties? Could they buy half the new property and allow the survivor to live in it rent-free for their half?

The house was divided to cut inheritance tax. A casual conversation with a friend suggested there might be legal as well as financial problems on the death of one of us.

■ There should be no obstacle to the surviving spouse's ability to insist on a sale if she or he desires it. Likewise there is no legal impediment to the children making a loan out of their share to enable a new house to be purchased. We assume that the present form of co-ownership is as tenants in common in equity.

The only problem you might encounter is the possibility that a surviving spouse who does not sell might be subjected to a revenue claim that there is a benefit reserved to him or her if he/she continues to reside in the whole property. A gift to the children of less than a full half interest in the house might therefore be preferable.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

MINDING YOUR OWN BUSINESS

Are you a doer or a dreamer?

Dr Fay Fransella, a psychologist, looks at the make-up of people who go into business for themselves and asks: are you a Small Business Person or an Entrepreneur?

PEOPLE have been leaving the security of paid employment in increasing numbers over the last few years to "do their own thing." But what is this "thing"? For some it is to do with spending more time at home. For others it is testing their own capabilities and limits. For still others it is making more money.

The list could be almost endless, but there are many common experiences. Most find that their enterprise is is much harder work than they had thought. Most find that bank managers preach about how much they want to help small business development, but at the end of the day, they want your bricks and mortar before they will even contemplate lending.

When running your own business you will have to face the fact that even paper clips cost money. Small is not so beautiful when everyone wants to see your track record before investing in you. Colleagues get impatient at what they see as too slow progress. Growing pains are felt – often caused by others not wanting to move in the same direction as you.

There is one other important, but not always recognised, common issue. Your choice of personnel is severely limited. You very often have to choose from a group of one; that is, one person who is keen to share in your new venture. Such a person may not be the sort you would have advertised for, nor will he or she do the job you would ideally like them to do. You are often forced to design the job to fit the person when you are running a very small business.

You may have decided that you need someone to do the routine office work, including shorthand and typing plus a little word-processing thrown in if you are lucky. You may end up with someone with a degree in literature and an interest in flower arrangement who happens to do a little typing because he or she is "fascinated" by your project and is willing to join your financially dicey enterprise – and you do sometimes need brochures written and flowers arranged!

Only when the business gets on a firmer footing will you be able to enjoy the luxury of working out what the business needs, and then advertising for a person to fit the job.

Within the people who set up these businesses the psychologist in me identifies two clear groups: there are Small Business People, and there are Entrepreneurs. They share all the same experiences, but they differ fundamentally about what they are in business *for*.

The Small Business Person wants to create a business that he or she will work for. The business itself is the goal, the size of the business may not be the sole concern. The satisfaction for all the hard work will come from having a business that is so well organised that it will run itself; and healthy profit margins can have a decidedly cheering influence.

Above all else the Small Business Person has to be a gifted organiser and to like that kind of work. Not for him or her the criticism from others, "can't even run a bath." A large part of the reward comes from showing organisational skills. The fruits of the small business person's labour are in the profit margins, whether they they materialise in the form of safari trips to Kenya, a beach hotel in Bali, a chartered yacht in the Caribbean or a country house.

The size of the business is determined both by the person's need to push his/her organisational skills to the limit, and by the amount and type of fruit desired.

Not so the Entrepreneur. That person has a dream. The small business is a vehicle taken to realise that dream; *the satisfactions come from* steps achieved along the route to the fulfilment of it. No wonder bank managers have difficulties with such people.

To the true Entrepreneur, cashflow and profit and loss projections are necessary evils rather than the life-blood of small business success. Goals in ten years' time are expressed in terms of the dream realised, rather than in facts and figures that show a business with a £2m turnover.

The dream-based business encounters problems in the most unlikely places. Take the logo. The small business person has few initial problems with deciding how best to encapsulate the product in some symbolic form. Not so the Entrepreneur who has to trap a dream. Having worked their way through that problem both are on the same path leading to registration of their creation as a trade mark. But it transpires that an inordinate number of others also have a logo that shares many characteristics with this new creation. Caught up in the leisurely time-scale in which the Registrar of Trade Marks makes his objections many must lose hope. My own logo was finally accepted last month, having been applied for in 1981.

Most entrepreneurs I have met or read about experience difficulties with maintaining good relationships with those who work with them in the early days. *The Entrepreneur* with a dream also has to be someone who, initially at least, will organise the business.

Thus, those who join the organisation because they share the dream do not take kindly to talk of work having to be cost-effective. And those who join because they see its worth as a small business do not take kindly to continuing with parts of the business running at a loss "to preserve the dream."

The Entrepreneur often faces problems when the business starts being a success. The dream has to be made consistent with the demands of financial advisers who look only to the maintenance and development of the business.

For those thinking of joining others in the running of their small businesses, make sure which sort of person you would rather work with – Small Business Person or Entrepreneur – and then try to decide which type your new employer is likely to be.

The work will be as hard in each job. The rewards are likely to be as large or as small in each. But I can guarantee that life will be more stormy – and probably more exciting – with the Entrepreneur, because the dream will keep getting in the way.

Dr Fay Fransella, Emeritus Reader in Clinical Psychology of London University, has been running her own business for eight years. She founded the Centre for Personal Construct Psychology, 132 Warwick Way, London SW1V 4JD. Tel 01 834-8875.

Building up slowly from rock bottom


Picture: Ashley Ashwood

From left, Richard Molyneux and Colin Kerr, architects with designs on success

COLIN KERR, 38, and Richard Molyneux, 32, started a London architectural practice a year ago at the height of the building boom. I suggested it must have been easy going. They smiled and shook their heads sadly.

As we talked it soon became clear that to set up an independent firm in a profession where established reputations, track records and personal contacts are the stock-in-trade is never going to be easy.

During their first year they have lived on £9,000 each, drawn from the practice, eked out by their savings and careful economies at home and in the office. They are working from a tiny 500 sq ft suite of offices which is to be found up three flights of stairs in an old house in Marylebone. They have just celebrated their first year in business by hiring their first staff – reckoning they can now afford the services of a part-time secretary.

As for the flow of commissions, they have handled 24 jobs in their first year ranging from a project of £250,000 contract value to a number of small reports. They have been prepared to take on any commission, however humble, to contribute to the cashflow. It has been unremitting work but it has paid off. Their fee income for the first year has been £64,000 – a considerable advance on the £48,000 they had expected to earn.

As they enter their second year their main concern is to win more commercial work so that they can balance the workload of the practice between a small number of large commercial assignments and a greater number of small jobs.

Before they went into partnership both men had been used to working on jobs costing millions. Kerr was an area architect with English Heritage, indulging to the full his love for historic buildings. Molyneux was in Australia, part of a firm working on an office development on Sydney Harbour.

On returning to London Molyneux tried to establish himself on his own, working from the basement of his home, his total resources being a drawing board, a photocopier and a telephone answering machine. His workload consisted of just two small residential projects. *Both fell through.*

"It became clear to me," says Molyneux "that being at the bottom of the professional ladder would result in only small-scale commissions." He was rather glumly contemplating that prospect when Kerr rang to say that English Heritage was not fulfilling his expectations and that he, too, wanted to set up in private practice.

As partners they can cover a wider spectrum of work than as individuals. Molyneux is most interested in new buildings and commercial work. Kerr says he is "steeped in old buildings, historical problems, and restoration." But he admits that he has been sufficiently influenced by his partner recently to be "keen to design something new."

They enter the second year of their partnership with hopes of securing two large commercial assignments with contract prices of over £1m each. They believe that they can realistically set a target of £100,000 of fee income during the year. They expect to be employing two full-time staff by the end of the year.

By taking less than living wages out of the practice in their first year Molyneux and Kerr have avoided borrowing. They negotiated a £5,000 overdraft with the bank (guaranteed with life policies) but they have not used it.

Capital expenditure on equipment and refurbishing their offices was far higher than they anticipated in the first year.

Their next essential capital spending will be about £2,000 for a brochure about themselves and the practice. They feel that it is an essential tool if they are to win some of those big architectural commissions they hunger for.

■ *Molyneux Kerr, 171 Seymour Place, London W1H 5TP (tel 01 262-6631).*

Roy Hodson

First Year: forecast and targets	
Two notional salaries of £18,000 each.	£36,000
Office rent.	£ 5,000
Other overheads	£ 7,000
Total anticipated fee requirement	£48,000
Actual First Year figures	
Drawings by the two partners, net of tax	£18,000
Office rent and anticipated legal fees	£10,000
Overheads and additional setting-up costs	£17,000
Actual outgoings for first year	£45,000
Value of work carried out in the first year	£64,000
Bank balance	£19,000

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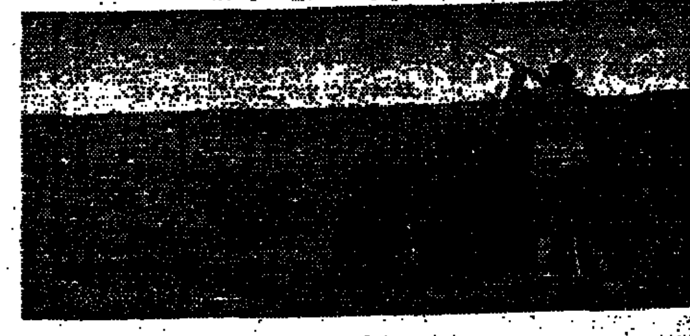
PROPERTY

Scottish lodges and dodges

Allen Fletcher on the choice for those seeking sporting spots

AS A sporting agent, I handle enquiries for every aspect of sport in Scotland. The most common request is for a remote lodge sleeping 12-14 people with room for a couple of cooks. Throw in a few thousand acres where one can potter after a grouse, fish or stag and you have heaven on earth. Two to three London families can club together, take to the hills and relax.



Bagging a grouse on a Scottish sporting estate

Rented accommodation can fall into several categories and you must choose carefully. The best question to ask is: "Can I keep my boots on in the drawing room?" Typical examples include:

■ The large and original shooting lodge, well maintained by one family and still used for the holidays; well furnished; probably modernised in the 1950s with central heating. Ideal base, but no boots.

■ Same house, this time not used by the family. No central heating; green paint throughout the servants' quarters; antiquated kitchen. Not for the faint-hearted, requiring great effort in lighting fires, dimming the lights and pouring whisky to get the party going. Boots on, but solely through indifference to the surroundings.

■ The recently modernised lodge. The last word in chintz and carpets. The owners have given up Gloucestershire and moved all the good paintings into the lodge. Immaculate, central heating and even ensuite bedrooms, Smallbone kitchen. Probably difficult to rent without the owners being present so very expensive but surprisingly, boots on. (Owners being slightly embarrassed as it is all too new.)

■ The "London" lodge. Owners live in SW1 and have done lodge up in best London style. They hate having to let it but are forced to "cover some of their costs." Want to meet any tenant at the Club to vet suitability. Definitely no boots.

■ The jewel in the glen. The traditional box, still pine-lined and unmodernised, often with no electricity or at best a generator. Unspoilt due to its inaccessibility, still difficult to get to and could involve Land Rover, followed by boat, followed by foot, but well worth the effort. Threadbare carpets and Chesterfields with the horsehair tickling your tweeds. Stags roar at night. Definitely a place to keep your boots on.

■ A selection of lodges, staffed and unstaffed categories can be available to rent from:

Bell-Ingram, Durn, Isla Road, Perth PH2 7HF, Scotland (tel 0738-21121); Sport in Scotland, 22 Market Brae, Inverness IV2 3AB (0463-222757); MacSport Ltd, Ballater Road, Aboyne, Aberdeenshire AB3 5HT (0339-2896); West Highland Estates, 7 Argyll Street, Oban, Argyll, PA34 5SG (0631-63617/8); Findlayson Hughes, 29 Barossa Place, Perth PH1 5EP, Scotland (0738-30926); Strutt & Parker, 13 Hill Street, Berkeley Square, London W1X 8DL (01-629-7282).

Paradise with problems

FOR SALE: one island, Gigha, innermost of the Hebrides. Pay more than £3m and a once in a lifetime dream will come true. It is a small paradise that lives up to its name (the "good island" or "God's island"). Yet the word I heard most from islanders was apprehensive.

Why is that? It is a story of many strands, which the new owner will face in deciding how to run Gigha. Will noblesse oblige prevail over accountants' bottom lines? Or can he balance the two and keep Gigha going in a way that does not wreck its life? For the rest of us who do not have £3m to spare, it is a marvellous place for a holiday.

The ferry took 20 minutes from Tayinloan in Kintyre. There is no need to take a car over if you are visiting. Gigha is six miles long and one wide, and feet and bicycles are the ways to get around. The Gigha Hotel rents bikes, and so does Seamus McSporran who runs the Post Office and is the island's special constable, undertaker, fireman, taxi driver - and much else as well.

As you cross the Sound of Gigha Islay appears on the horizon and the high Paps of Jura. Once you have landed and walked up to the middle of the island (its highest hill is only 329 ft), you see Northern Ireland one way and the isle of Arran beyond Kintyre the other. Around you are cow pastures, the great 50 acre Achamore gardens, and rougher country with heather, rocks and swathes of bluebells.

I stayed in the Gigha Hotel, a light and most friendly place with oodles of hot water — enough to give baths, showers and laundry for visiting yachtsmen — and good home cooking.

As well as the hotel, there are crofts to rent and flats in Achamore House. David Landale, the present owner, has converted them and enlarged the hotel, sensitively and well. Everyone respects him and likes him.

In the last century Gigha had up to 700 people. But life was hard. The story has it that on one day 18 families left and many of the 180 islanders today have relations in North America.

Fishing and farming were the staples. The fish were herrings. After they were fished out in the 1920s it was cod, till that too was fished out. Now two boats catch lobsters, prawns and scallops (called clams on Gigha). The cod's going has meant more prawns, as the cod ate them.

The low ground is rich. Where the Achamore gardens are, it produced 100 tons of potatoes 100 years ago.

Achamore House was built in 1884 for shooting. In 1944 a keen plantsman, Colonel James Horlick (of the nutritious bedtime drink family) bought the island and set about making one of Scotland's great gardens. The Gulf Stream warms it - Gigha has palms - and there are 46 in of rain a year, but the "airbiest" of sea and wind can play havoc to the plants. Windbreaks are a must. The Colonel used the wild ponticum rhododendrons as breaks. He died in 1972, when the Landale family bought Gigha.

The gardens are renowned for rhododendrons and azaleas, and there are splendid camellias and rarities from Mexico, the Canaries and other un-Scottish warm spots. The masterpiece is Rhododendron Sinogrande, with huge trusses of pale yellow-green flowers.

There is an old wish in the Western Isles: a boat to sail in, an island to go to, and never a day for leaving. Newcomers to Gigha love its security, peace, beauty and friendliness. All islands are their own worlds. I was sad to leave. Lucky the person who buys Gigha.

The ferry at Tayinloan is about $2\frac{1}{2}$ hours by road from Glasgow. For the Gigha Hotel (£35-£37.50 for dinner, bed and breakfast) and the crofts and Achamore House, telephone 05835-254.

Prospective owners of the island or the salmon farm should get in touch with Savills in Edinburgh (031-226-6961).

Gerald Cadogan

Jackson-Stops & Staff

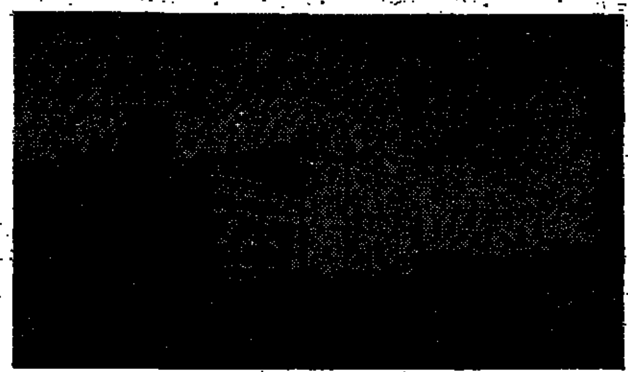
Nineteen offices throughout the United Kingdom. Head office: 14 Curzon Street, London W1Y 7FH. Telephone: 01-499 6291.

Devon/Somerset Border Near Tiverton
A classical Georgian house on the edge of the Exmoor National Park.
Library, 30 foot drawing room, dining room, kitchen/breakfast room, 6 bedrooms, 2 bathrooms, dressing room/bedroom 7. Jacobean wing with sitting room, study. Self-contained flat (unfinished). Traditional outbuildings. Gardens and walled garden. Paddock. About 5 acres.
Apply: Exeter. Tel: (0392) 214222.

Hampton Court
Set in one of London's most attractive parkland settings, a distinguished and beautifully appointed Queen Anne house (Listed Grade II).
4 reception rooms, kitchen/breakfast room, 6 bedrooms, 4 bathrooms, dressing room. Staff cottage. Garden, garage.
Apply: Chelsea. Tel: 01-581 5402.

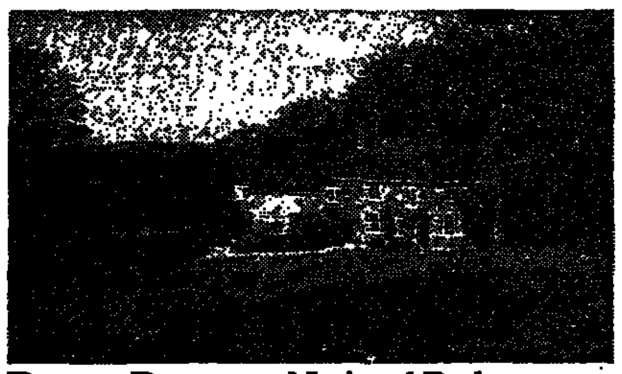
West Sussex Graffham
An exceptional Listed Grade II house dating back to 1420. Fine 18th century barn with consent for conversion.
4 reception rooms, playroom, 3 double bedrooms, 3 bathrooms. Extensive outbuildings including loose boxes, cow byre. Garaging, garden, paddock with pony stables and fodder shed.
Apply: Midhurst. Tel: (073081) 2357.

West Sussex Near Arundel
A perfectly situated brick and flint country house on the southern slopes of the Downs, within beautiful gardens and grounds.
3/4 reception rooms, 5 bedrooms, 3 bathrooms. Cottage with sitting room, kitchen, 2 bedrooms, and bathroom. Outbuildings and stables. Pool, tennis court, 15.2 acres.
Apply: Chichester. Tel: (0243) 786316.

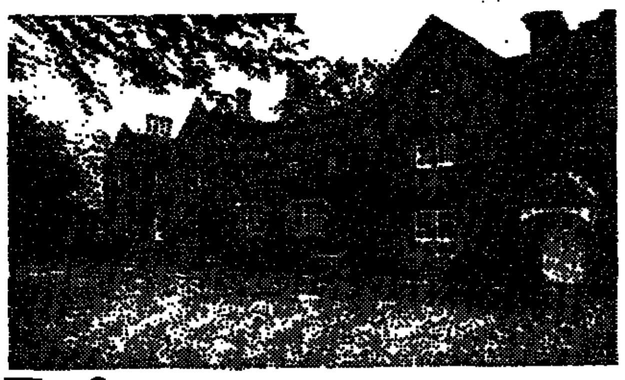


Norfolk Near Brandon
Important Listed Grade II Georgian mansion in superb parkland.
5 reception rooms, 11 principal bedrooms, 8 bathrooms (3 en suite), 11 secondary bedrooms. Lodge. *Mature formal gardens and parkland.* About 12 acres. Further parkland may be available. Suitable for Residential or Institutional use.
Apply: Newmarket. Tel: (0638) 662231.

Northamptonshire Near Northampton
Ecton Hall. A superb Gothic Revival mansion, beautifully restored **and converted to 12 apartments of 2, 3 and 4 bedrooms. Also 2 houses converted from the outbuildings and 3 and 4 bedroomed courtyard cottages. Apartments from £115,000. Cottages from £152,500.**
Apply: Northampton. Tel: (0604) 32991.
Joint Agents: Fisher Hoggarth, Market Harborough Tel: (0858) 410200.



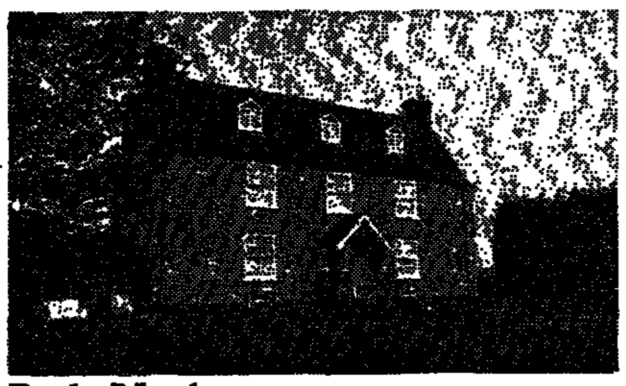
Devon, Dartmoor National Park
South facing period house in a parkland setting **near Chagford.**
4 reception rooms, conservatory, kitchen/breakfast room, study, 6 bedrooms, 3 bathrooms, nursery/bedroom 7. Garaging and stables. Traditional barn with planning permission for a cottage. Gardens, paddocks, woodland and fishing. About 38 acres.
Apply: Exeter. Tel: (0392) 214222.



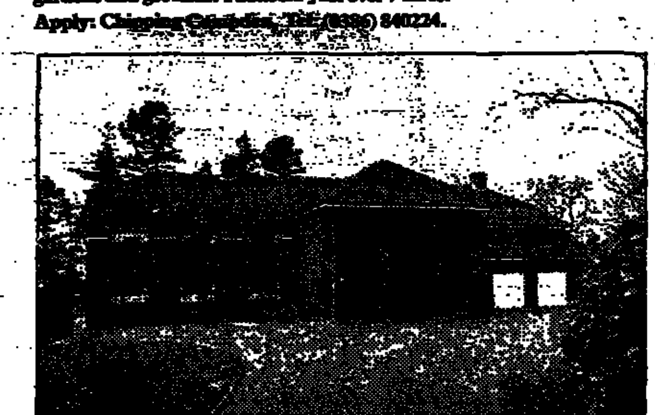
West Sussex Midhurst
Second phase now available (first phase sold). Three exclusive town houses, being part of a substantial and important 19th century mansion on the edge of the town.
Fully refurbished, each has 3 or 4 bedrooms, its own garden and garage.
Freehold from £335,000.
Apply: Midhurst. Tel: (073081) 2357.

North Cotswolds Broadway
14th century Cotswold house within spacious grounds, with views.
3 reception rooms, medieval Great Hall and Chapel, 7 bedrooms including 14th century Abbots Chamber, 3 bathrooms. Cottage in South Wing: 2 reception rooms, 3 bedrooms, bathroom. Garaging, attractive gardens and grounds. Paddock. Just over 7 acres.
Apply: Chipping Campden. Tel: (0386) 840224.

At Jackson-Stops all our properties are grade one. Some are Listed as well.



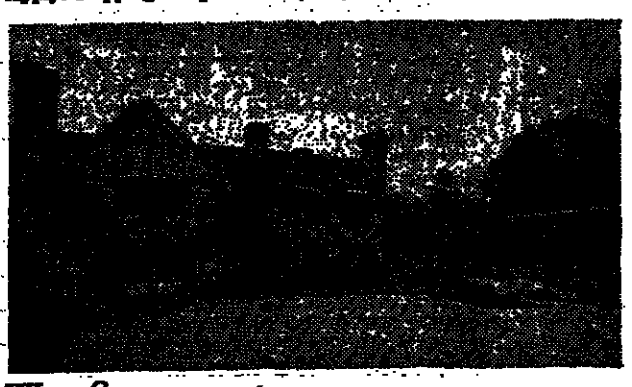
Bucks/Northants Near Buckingham. 404 acres.
Residential and Commercial farm. 6 bedroomed period farmhouse in elevated position with views over open countryside.
Traditional and modern buildings with potential for conversion. 368 acres arable, 36 acres pasture.
Auction: 28th June 1989 in two lots.
Apply: Northampton. Tel: (0604) 32991.



Worcestershire Barnt Green
A luxurious residence, built to the highest specification, in a fine situation in this prime residential area.
2 reception rooms, games room, library/video room, kitchen, swimming pool/whirlpool complex, 4 bedroom suites, further bedroom/study, self-contained flat. Garaging for 3 cars, wooded gardens and grounds.
Apply: Chipping Campden. Tel: (0386) 840224.

Shotesham Estate Near Norwich. In all about 763 acres.
A well known sporting and agricultural estate 6 miles south of Norwich. The magnificent Listed Grade I house was built in 1798. It was designed by Sir John Soane, one of Britain's most distinguished architects, who went on to design the Bank of England. Including ten estate houses, a fine shoot, extensive gravel deposits. Home farm 575 acres. ***188 acres of woodland and river. For sale privately.***
Apply: *Mayfair.* Tel: 01-499 6291 or Newmarket (0638) 662231. ***Solicitors: Mills & Reeve Francis, Cambridge. Tel: (0223) 64422.***

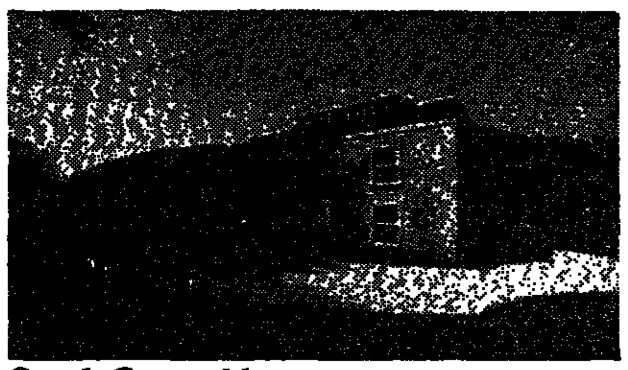
On the edge of the City of York
A superbly restored period coach house off a private drive, possibly York's best residential location.
5 bedroomed family accommodation with 3 reception rooms, secluded gardens and garaging for 4 cars.
Guide price: £300,000.
Apply: York. Tel: (0904) 625033.



West Sussex Rusper
A restored 16th century Grade II timber framed country house set in beautiful countryside.
Main house: 5 reception rooms, kitchen and breakfast room, 5 bedrooms, 2 bathrooms. Self contained wing: reception room, 3 bedrooms, bathroom and kitchen. Outbuilding, swimming pool, tennis court. About 7.5 acres.
Apply: Mayfair. Tel: 01-499 6291.

Buckinghamshire Olney
A Listed Grade II house, once the home of the poet William Cowper, in the heart of Weston Underwood, one of the county's prettiest villages.
3 reception rooms, garden room, 4 bedrooms, 2 bathrooms, attics suitable for conversion to further bedrooms. Stabling. Walled garden, orchard and field. About 8 acres.
Apply: Northampton. Tel: (0604) 32991.

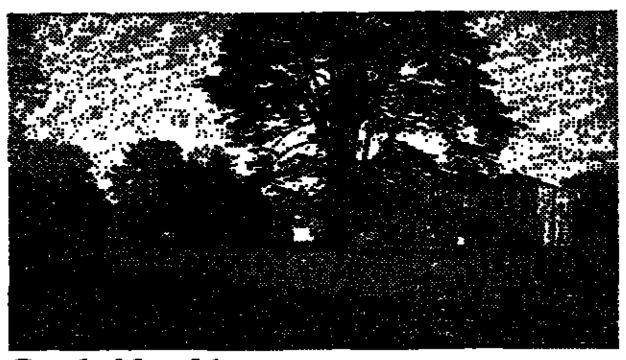
Cheshire Near Chester
The Egerton Arms, Broxton. A renowned 16th century Freehouse.
Full 7 day on licence, supper and cabaret licences, 3 bar areas, superb 60/100 cover restaurant, 5 letting bedrooms, 2 bathrooms. 3 bedroomed owner's house. Parking for over 100 cars. About 3 acres.
Freehold for sale as a going concern by Public Tender.
Apply: Chester. Tel: (0244) 328361.



South Cotswolds 35 minutes from Bristol
A lovely Georgian house at the head of a valley with superb views.
5 reception rooms, 2 cloakrooms, kitchen, 5/6 bedrooms, 3 bathrooms. Staff flat. Courtyard with coach house and garaging. Walled garden. About 2 acres.
Guide price: £500,000.
Apply: Cirencester. Tel: (0285) 653334.

East Yorkshire Near York
A superb modern bungalow built to an exacting specification, within easy reach of York and Leeds.
4 reception rooms, fitted kitchen, cloakroom, principal bedroom with Jacuzzi, 3 further bedrooms and 2nd bathroom. Garden and paddock. About 3 acres.
Apply: York. Tel: (0904) 625033.

The Cotswolds Near Cirencester
A very pretty 17th century cottage in a lovely setting with 3 acres.
Dining hall, sitting room, study, cloakroom, kitchen, utility room, conservatory, 4/5 bedrooms, bathroom, shower room. Outbuildings, garden and paddocks.
Guide price: £375,000.
Apply: Cirencester. Tel: (0285) 653334.



Cambridgeshire Near Royston
A charming William IV former rectory on the edge of a small village.
3 reception rooms, kitchen, breakfast room, 5/6 bedrooms, 3 bathrooms. 3 bedroomed cottage. Garaging and outbuildings. Garden and paddock. About 4½ acres.
Apply: Northampton. Tel: (0604) 32991 or Mayfair. Tel: 01-499 6291.

Kent Tunbridge Wells
Attractive house set on top of the High Weald, facing south, with uninterrupted views.
2/3 reception rooms, 3 bedrooms, 2 garages, 1.3 acres. Opportunity to extend or possible potential building plot.
Guide price: £300,000.
Apply: Mayfair. Tel: 01-499 6291.

For further information speak to our staff this weekend.

PROPERTY

Wake up to a real-life dream home

John Brennan finds much to admire in a careful restoration of a Northamptonshire mansion

HERE IS everybody's property-deal dream: a home in a glorious, mellow stone, Georgian manor with a sitting room – the original great hall – covered with lovingly restored plasterwork and sited on the edge of a pretty village an hour from London. Furthermore, it cost you considerably less than it cost the developers.

It is a dream come true thanks to an odd sequence of events, which is almost like a ghost story in reverse.

Ecton Hall had stood abandoned in its park and farmlands since 1954, when its last occupant died and dry rot took over. A family trust owned and farmed the estate but could not afford the upkeep of the hall. Blocked gutters let in rain. Rot set in. Roofs and then beautiful plaster ceilings fell in, and leather-bound books grew mould on the library shelves.

Enter – at well past the eleventh hour – John Nash and Fred Eisenhart-Rothe, a building surveyor and a civil engineer who have spent 20 years restoring and adapting old buildings, at first for clients and then, as Period Property Investments, as developers themselves.

Now Ecton Hall, a 1750s mansion on a site which dates back to the Norman Conquest, has come back to life. It has 12 meticulously planned apartments – some the size of small houses – while a stable of roomy three-bedroom and four-bedroom cottages form a new courtyard alongside.

It was chance that sent Nash and Eisenhart-Rothe to Ecton. A farmer's wife, miles away, told them casually of the pretty, stone-built village she knew. It was eight miles from Northampton and a conservation area of restored cottages and a handsome church, marred by one black spot – the decaying and derelict manor.

With no more to go on than that, the two partners ended up in a field, peering through trees at the south facade. "It's so easy to exaggerate, but as a builder I thought it was wonderful," says John Nash.

"A perfect example, in warm stone, of Georgian Strawberry Hill Gothic – now that's rare."

A rude awakening came as they got closer. The crumbling facade was all that remained. Behind it, walls and floors had caved in, chimney stacks had crashed to the ground and lightning had struck twice – in the same place.

Walls collapsed overnight while they were persuading the family trust to sell the place. Says Nash: "Once the timber goes, you lose restraint. Walls

It is a dream come true thanks to a sequence of events, which is almost like a ghost story in reverse

are no longer supported. When the floors that tie them together have rotted, one collapse leads – domino-like – to others. It was very dangerous."

"This time you must be mad," commented their architect, but the two men had no doubts. A team began to turn the wreck back into homes, restoring the south front and – as completely as possible – the principal rooms.

The former library, the great hall and the "withdrawing room" are now the reception rooms of apartments numbers 2, 3 and 4.

This took not just building skill but patient detective work and some inspired guesswork. Period Property has its own team of builders and use other specialists as needed. For example Classical Renaissance, the firm of plasterers, replaced sections of intricate plasterwork found lying among the debris and – using some 1930s photographs – made faithful copies of the rest.

Behind these main rooms, down came the patchwork of haphazardly mended brickwork which was all that was left of the back wall. The house grew a little around the (restored) north entrance to accommodate a re-arranged jigsaw of bedrooms, bathrooms and kitchens.

There is now good bone structure under the romantic skin. Behind the restored plasterwork, and beneath the carpets, steel and concrete stitch the frail old place together. It cannot be seen, but it also insulates each slice of the stately home from the others against fire and next door's noise.

The result is a synthesis of gracious living with up-to-date convenience. The two-, three- and four-bedroomed homes are already attracting interest from professional couples and people with grown children who have left large houses.

Across the courtyard outside are the houses. The laundry house and the old game larder have been converted into homes by architect Irvine Bendelow. They too are three- and four-bedroomed homes which deceive the eye. Tardis-like, they are much larger inside than their low-sweeping, dormer roofs suggest.

This development enabled the meticulous, but ruinously expensive work on the Hall.

Before and after restoration: the shell of the house (left) was almost all that was left before the restorers took over and brought it back to its former glory. Now the mellow stone facade hides 12 meticulously planned apartments, some the size of small houses

Nash and Eisenhart-Rothe happily admit that lucky timing has seen house prices rise steadily since they started work, giving them leeway on the painstaking restoration. It cost much more than planned.

So buyers of the homes, which include the great hall with its deep-coffered ceiling, the new conservatory, and the plaster chimney-piece, are getting bargains. It would be impossible to price each of the Hall apartments by the work done on it.

The real triumph of Ecton Hall, however, is not just the return to life of a defunct, historic building, but the creation of new homes which can stand up with the best, ancient or modern. Ecton, better than any other such scheme I have seen, has managed to avoid the obvious bear-traps of feeling either like a museum or – worse still – a stage-set.

175 year-leases on the 1,350 to 1,750 sq ft flats, maisonettes and cottages of Ecton Hall, which is five miles from Northampton and eight from Wellingborough, are on sale for between £115,000 and £205,000. Agents are Jackson-Stops and Staff, Northampton, and Fisher Hoggarth, Market Harborough.

Out of Africa, into Highgate

BETWEEN her African journeys the Victorian explorer and pioneer ethnologist Mary Kingsley lived in Southwood Lane, Highgate Village, N6. Now there is a blue plaque to commemorate her time there and a Grade II listing for her former home, a four bed, detached, 1820s house with mock windows to the front balanced by windows facing out on to a broad, walled garden at the back.

Ellis & Co (01 455-3252) are asking £645,000 for the freehold of the recently modernised house, with garage and off street parking for three or four cars.

COUNTRY PROPERTY

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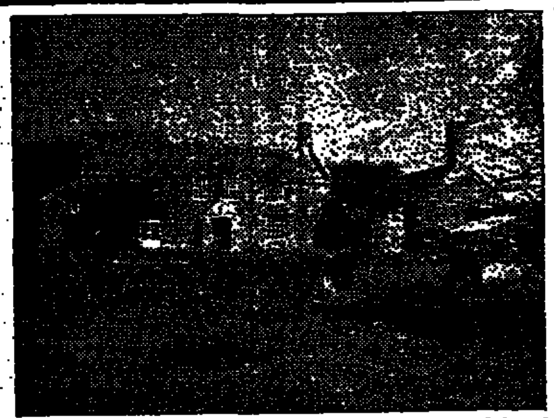
DEVON-Axminster, Lyme Regis 5 miles.
Imposing country house situated in a lovely rural setting on the Devon/Dorset borders. 3 reception rooms, 7 bedrooms, 4 bathrooms, central heating, double garage. Mature & well stocked garden. Woodland & pasture.
About 37 acres. Region £425,000.
Taunton office: Tel. (0823) 277261.

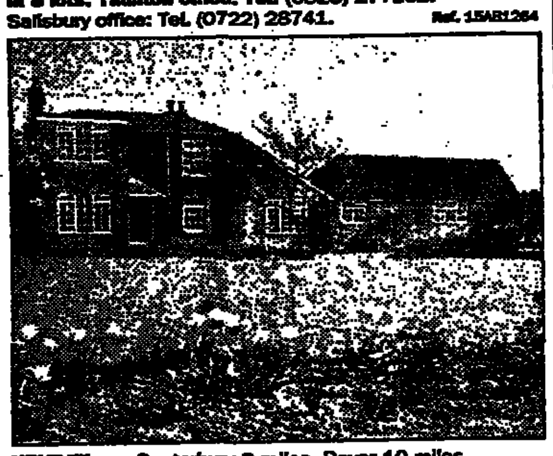
DEVON. Bideford 3 miles, Exeter 45 miles.
Elegant Grade II listed Regency house with extensive gardens & unspoilt views. 4 reception rooms, 5 bedrooms. Cellars, garaging, outbuildings. Extensive well-stocked & landscaped garden. Paddocks & woodland.
About 13½ acres. Region £450,000.
Exeter office: Tel. (0392) 215631.



SOMERSET-Nr. Taunton. Williton 2 miles. Residential and Sporting farm between the Quantocks & Brendon Hills. 6 bedroom stone farmhouse needing modernization. Stone cottage. Farm buildings. Arable & pasture land. Woodland with shooting potential. About 205 acres. As a whole or in 8 lots. Taunton office: Tel. (0823) 277261.
Salisbury office: Tel. (0722) 28741.

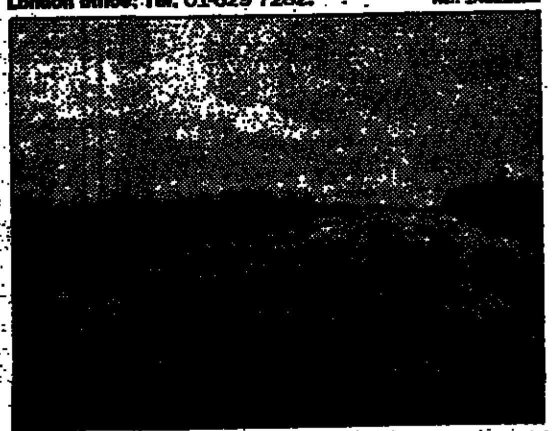
WEST SURREY. Godalming 3½ miles.
17th century farmhouse in rural setting on edge of village with views over farmland. 3 reception rooms, master suite of bedroom, dressing room & bathroom, 4 further bedrooms & 2 bathrooms. Swimming pool.
About 3½ acres. Excess £550,000. Additional 3 acres available. London office: Tel. 01-629 7282.

SURREY-Bletchingley. Caterham 2 miles.
Attractive former coach house on the North Downs with southerly views. 2 reception rooms, master bedroom & bathroom suite, 3 further bedrooms & bathroom. Garage & car port. Landscaped gardens, grounds & woodland.
About 1½ acres. Excess £400,000.
London office: Tel. 01-629 7282.

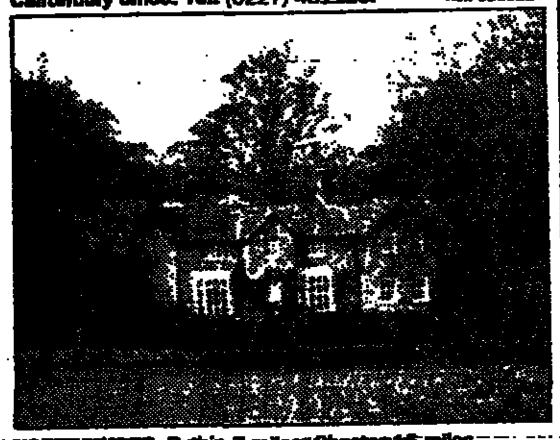


KENT-Elham. Canterbury 9 miles, Dover 10 miles.
Attractive period cottage in secluded position with excellent views on the edge of the village of Elham. 2 reception rooms, 4 bedrooms, 2 bathrooms. Night storage heaters. Double garage.
About ½ acre. Region £237,000.
Canterbury office: Tel. (0227) 451123.

CUMBRIA-Lake Windermere. Kendal 12 miles.
Residential & forestry estate. House with 2/3 reception rooms, 3 bedrooms, 3 bathrooms, Self contained flat. Cottage with lake frontage. Cottage with 2 reception rooms, 4 bedrooms. Forestry about 261 acres & open hill of 215 acres. In all about 483 acres. As whole or in 3 lots. Harrogate office: Tel. (0423) 561274.



KIRKCUDBRIGHTSHIRE. Newton Stewart 14 miles.
A well established commercial forestry investment. Comprehensive forest road system. 30 acres grass field. 497 acres of mainly Sitka Spruce plantation. 6.4 acres of Loch Crongart.
About 534 acres. Excess £190,000.
Edinburgh office: Tel. 031-226 2500.



NORTH WALES. Ruthin 7 miles, Chester 16 miles.
Country House in a rural location with fishing rights on the Alun. 4 reception rooms, 6 bedrooms, 3 bathrooms, 2 attic rooms. 3 bedroomed cottage. Gardens, paddock, outbuildings. River frontage, fishing rights for 2 rods over further 2 miles. About 5.5 acres. Region £400,000.
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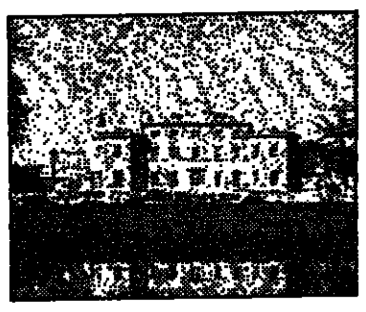
Excellent arable and dairy farm with 2 farmhouses, 6 farm cottages and good buildings. For Sale by Private Treaty as a Whole or in 2 Lots.



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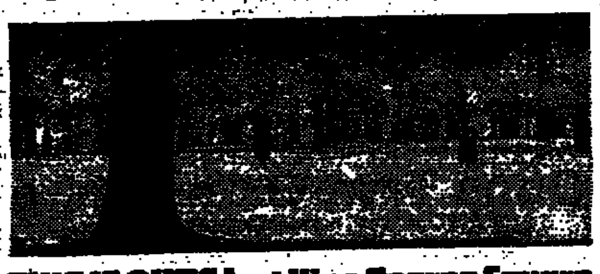

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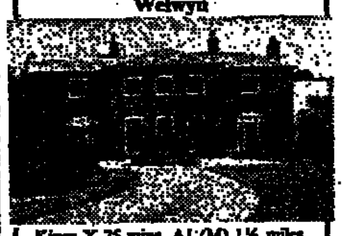
HERTFORDSHIRE - Welwyn



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237 acres

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Dixons Estate Agents Warwick (0926) 408544

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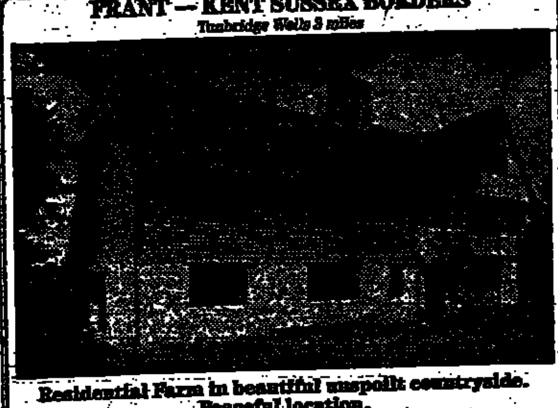
FRANT — KENT SUSSEX BORDERS
Tunbridge Wells 3 miles



Residential Farm in beautiful unspoilt countryside.
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16th Century Farmhouse providing 5/7 Bedrooms
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Farm Buildings Pasture and Woodland
About 240 Acres
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(Tavistock 6m Plymouth 20m)

Handsome and spacious former Rectory designed by Decimus Burton, magnificently situated overlooking the Tamar Valley. 3 reception rooms, 6 bedrooms, 2 bathrooms. Coach house with PP for dwelling, stabling, gardens with swimming pool, approximately 50 acres including woodland.
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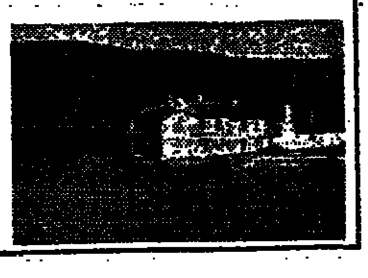

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1 mile from the coast
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UNDERGROUND GARAGE SPACES £25,000.

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Standing in a superb position on the River Test
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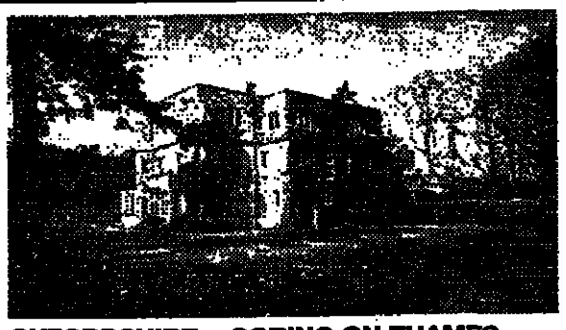

OXFORDSHIRE – GORING ON THAMES
Pangbourne 4 miles, Reading 8 miles, Newbury 12 miles, M4 9 miles, London 50 miles
A SUBSTANTIAL PERIOD FAMILY HOUSE
Standing in a superb position on the edge of the village and with frontage to the River Thames.
4 Reception Rooms, Nursery/Staff Sitting Room, Domestic Offices, 7 main Bedrooms, 7 secondary Bedrooms, 4 Bathrooms.
Mature Gardens. Useful Outbuildings. Swimming Pool. Boathouse, Paddock. 150 yds frontage to the River Thames.
ABOUT 15 ACRES
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Set in mature gardens and grounds, with views over the surrounding unspoilt farmland.
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Substantial Outbuildings including Stabling, Garaging and Granary.
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With indoor swimming pool.

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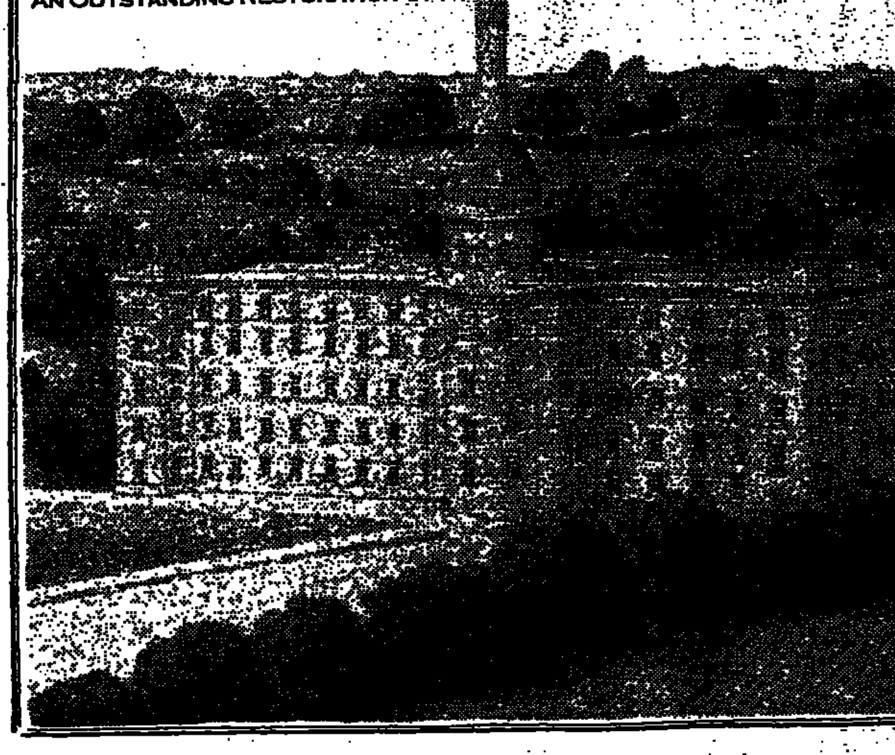

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Positioned in some of the best of English countryside, yet within easy reach of major motorways, Bliss Mill is the ideal country retreat with all the hard work taken care of.

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Roundway Farm House
Devizes 1½ miles, Marlborough 10 miles M4 (junction 16) 17 miles

A charming mainly early 19th century residence (on the edge of a small hamlet) with lovely views over downland.

4 reception rooms, 5 bedrooms, 2 bathrooms, attics, cellar.
Old stable block and traditional barn with potential for conversion.
Mature gardens and paddocks.
About 9 acres.
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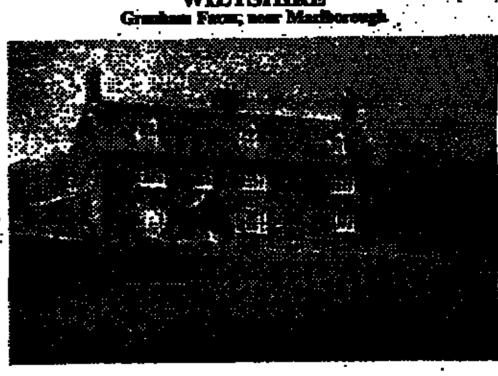
London Office: 01-629 7154

WILTSHIRE
Grasham Farm, near Marlborough



A lovely residential and arable/stock farm, also ideal for equestrian purposes, in a superb location close to Marlborough.
Modern 3-bedroom bungalow and two other cottages.
Extensive farmbuildings and former dairy complex.
Productive arable and pasture land.
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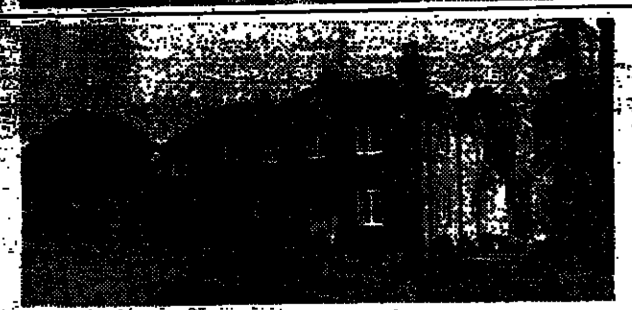

SURREY - SHACKLEFORD
Godalming - 3 miles Guildford - 5 miles
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5 bedrooms, 3 bathrooms, 3/4 reception rooms, kitchen/breakfast room. Annexe: 2 bedrooms, bathroom, sitting room, living room.
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An Attractive Residential Dairy Farm

Lot 1 - 5 Bedroomed, Grade II Farmhouse - 9 Acres
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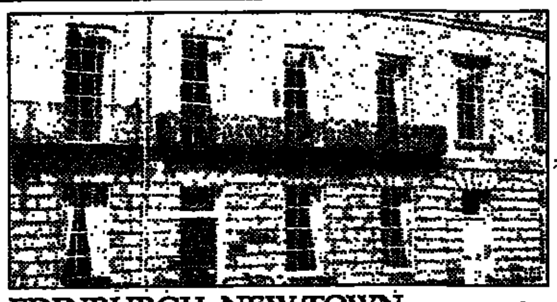

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A rare opportunity to acquire an entire Georgian Townhouse in Britain's most beautiful city.
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Asking Price – Offers over £390,000 for the whole.
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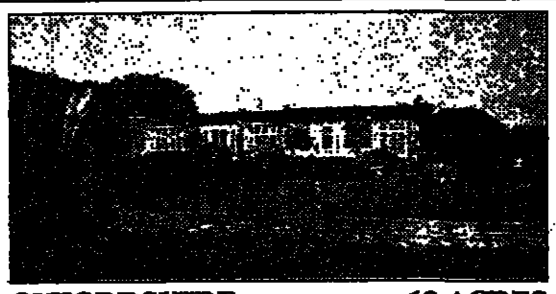

OXFORDSHIRE **68 ACRES**
Henley-on-Thames

Henley-on-Thames 5 miles, M4 13 miles, London 39 miles.
Beautifully presented country house, with lodge, standing in glorious gardens and grounds with views over a wooded valley.
Hall, 3 reception rooms, 2 bedroom suites, 3 further bedrooms, further bathroom, shower room. Staff flat.
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3 bedroom lodge.
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A 15th Century country residence of great character requiring some modernisation, set in delightful stream-fed formal gardens and paddocks.

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A CHARMING COURTYARD OF COTTAGES created from substantial stone and slate farm buildings.

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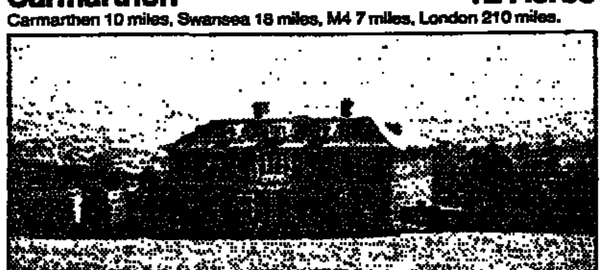
Humberts Residential

Carmarthen **12 Acres**
Carmarthen 10 miles, Swansea 18 miles, M4 7 miles, London 210 miles.



A fine country house with magnificent views.
Reception hall, 4 receptions rooms, 9 bedrooms, 4 bathrooms, 2 cloakrooms, smallbone kitchen/breakfast room. Oil central heating. Garaging for 2 cars. Garden. Grounds.
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London Office: 01-629 6700
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CLUTTONS

Wiltshire
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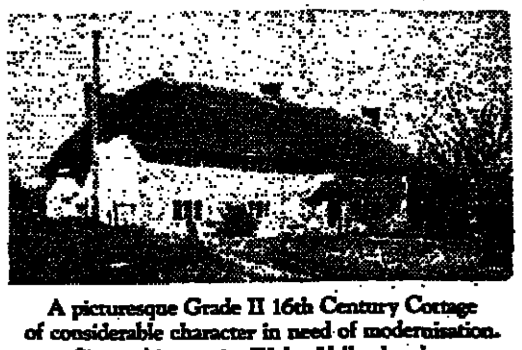
Warminster 4 miles, Bath 22 miles, Salisbury 17 miles



A picturesque Grade II 16th Century Cottage of considerable character in need of modernisation. Situated in a quiet Wylye Valley hamlet.

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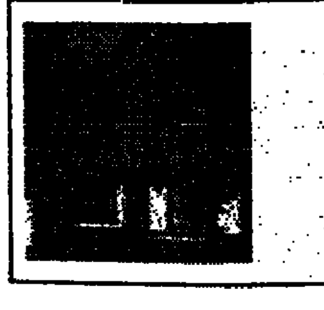

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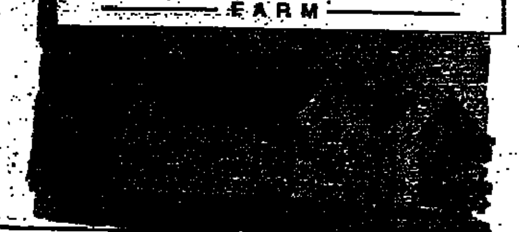

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Stage one now being offered: Four houses with a private courtyard with farmland views on edge of village.

Prices from £175,000 freehold.

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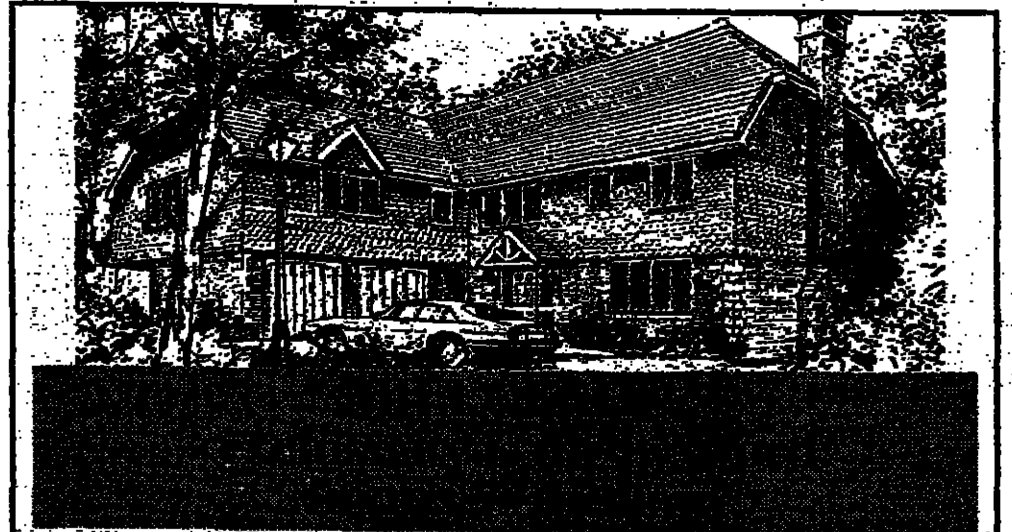

Millglade at Henfield will, quite simply, take your breath away. This superbly appointed selection of luxury specified five and six bedroom properties nestles close to one of Sussex's most charming country villages. All properties at Millglade are fitted with a 'dream' kitchen with double electric oven and microwave, freezer, refrigerator, dishwasher and waste disposal unit, complete with breakfast bar and concealed lighting. Every house has a double garage with automatic doors, and a security alarm system, and many other superb features, all set in large plots.

PRICES START FROM **£320,000**

Hardwood double glazing	All
Luxury specification	All
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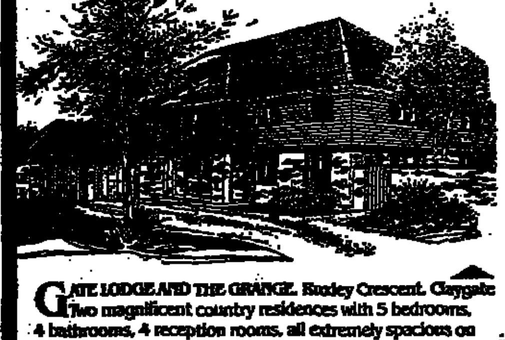
Why not visit Millglade — and give your life a whole new meaning. For more information contact Mary Cook on Henfield (0273) 493443 between 10.00 am and 5.30 pm Thursday to Monday or call our 24 hour brochure service on Reigate (0737) 245058. Prices correct at time of going to press.

John Mowlem Homes

There's a new home for you in Surrey and Hants



STONEDENE, Furze Hill Road, Headley Down, Hampshire. Offering seclusion and privacy in the heart of the country, yet only minutes from the A3 at Hindhead, these eight new character residences have five bedrooms, beautifully fitted kitchens and bathrooms. Set in a unique location.
Sales Cabin open Saturday and Sunday from 11:00am — 5:00pm.
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GATE LODGE AND THE GRANGE, Baxley Crescent, Claygate. Two magnificent country residences with 5 bedrooms, 4 bathrooms, 4 reception rooms, all extremely spacious on half acre plots off this private road.
Viewing by appointment.
Prices from £440 000 freehold

THE CHESTERS, Traps Lane, New Malden, Surrey. Capturing the classic Victorian era, these six elegant 4-5 bedroomed family homes are built to the highest standards with the most advanced building technology incorporated in their design just minutes from the A3 and New Malden Station.
Fully furnished showhouse open Wednesday—Sunday 11:00am—5:00pm.
Prices from £350 500 freehold

GRANGE CLOSE, Outwood Lane, Bletchingley, Surrey. In beautiful village surroundings, yet just 10 minutes from the M25, these family homes offer 5 bedrooms and spacious accommodation with lavish internal fittings. Fully furnished showhouse open Friday 11:00am to 5:00pm, Saturday and Sunday 11:00am to 5:00pm.
Prices from £295 000 freehold

For a sales brochure and details of our financial benefits please telephone 09323 54130 or 0860 518132 at weekends.

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TRAVEL

They speak English there, don't they?

Brian E. McGunigle finds himself — thankfully — in the middle of nowhere when he visits Honduras, in central America

THE SUN was already low in the afternoon sky as our plane skimmed the green hills and banana plantations of northern Honduras and landed at LaCeiba on the Caribbean coast. We were already on the third leg of a journey that had begun in New York nine hours earlier, and we knew we would have to clear Honduran immigration and customs at LaCeiba before catching a connecting flight to Guanaja in the Bay Islands.

Life being as it is in Central America, we suspected that these formalities might not be completed speedily, and we knew that the airfield on Guanaja did not have lights. We had mixed feelings about the prospect of being stranded overnight in LaCeiba. The guidebook described the city as "lively" but, life being as it is in Central America, this sounded vaguely ominous.

We reckoned without the Hondurans' desire to accommodate their infant Bay Islands' tourist industry. The lady from TAN/Sahsa, the national airline, who led us to the waiting DC-3, explained that if we bothered with all that stamping of passports and scrutiny of visas we would never get to Guanaja by nightfall. So she would simply collect our passports, let the authorities stamp them to their hearts' content, and see to it that they reached us the following day.

Right. Any shred of common sense we possessed suggested otherwise, but we handed over our passports, hoped that the embassy could keep us out of jail if the worst occurred (it did not – the passports appeared a day or two later), and clambered aboard the DC-3 bound for Guanaja, 30 miles off the coast.

The airfield at Guanaja, a narrow dirt strip hacked out of a hillside, adjoins a small dock – a convenient arrangement, since there are no roads or vehicles on the island. Or telephones or much of anything, for that matter. Someone shouted the name of our hotel, we threw our gear into what we hoped was the correct boat, and a few minutes later we were bouncing across the waves in the darkness along the south coast of the island.

At one point something that looked like an entire town on stilts in the water loomed up before us. It took a good night's sleep and a sunny morning before we got our bearings and realised that we had found one of the last great "undiscovered" winter vacation spots.

From a steep pine-topped ridge above our hotel on Guanaja's southeast coast we viewed an extraordinary panorama: wooded hillsides dropping sharply to a blue-green lagoon protected from the rougher waters of the Bay of Honduras by an encircling coral reef and a dozen small, palm-covered cays. Wild parrots glided across the hills. The overall scene had probably not changed much since Columbus visited the Bay Islands in 1504 on his fourth voyage to the New World.

The early history of the Bay Islands – which include Guanaja, its larger neighbour Roatan, and the smaller Utila – follows the pattern of Spanish-English conflict that marked the Caribbean generally. By the early 19th century, however, English influence became dominant as the islands were settled by "black Caribs" deported from St Vincent, whites and freed black slaves from the Caymans, and émigrés from the English settlements along the Mosquito Coast.

To a visitor, the most remarkable sociological feature of the Bay Islands today is that, although their official status as a Crown Colony lasted only from 1852 to 1859 and the islands have been part of the Republic of Honduras since 1861, the English language has not only survived but is probably more widely spoken than Spanish. Town and settlement names such as Savannah Bight, Mangrove Bight, Coxen Hole, French Harbour and Port Royal recall an era when English settlements dotted the Caribbean coasts of what are now Honduras, Nicaragua and Panama.

On Guanaja – or, strictly speaking, about a quarter of a mile offshore from Guanaja proper – the islands' unusual mix of races, languages and cultures is vividly displayed in Bonacca Town, the largest settlement. What we had seen from the boat on arrival was not an hallucination: much of Bonacca really is built on stilts in shallow water, with a maze of wooden walkways and canals connecting the houses. The offshore site for the town was apparently dictated by a desire to avoid the sandflies that can make life miserable on the main island from time to time.

There is some land underneath Bonacca (the remnants of two neighbouring cays, we were told), mostly towards the middle of town, where a few houses have small gardens and a concrete walkway serves as Bonacca's High Street. The outpost of Honduran officialdom is a small wooden building marked "Palacio Municipal," which stands more or less in the centre of town along the walkway, quite close to Miller's Hotel and the First Baptist Church. A fire in the mid-1980s destroyed a substantial part of Bonacca – virtually all the structures are wood – but a few touches of turn-of-the-century banana boom architecture remain.

The ambience in the poorer sections of Bonacca is somewhat Third Worldish, and one American visitor was overheard to say that he "wouldn't give a C-note for the whole place." We found the Mountain View Disko, stuck out well into the water at one end of town and said to be a hot spot on Friday and Saturday nights. On a sunny weekday afternoon its terrace serves as an ideal place to settle back with a cool Nacional or Salva Vida beer, gaze at the hills of Guanaja, and relax in the contentment that comes with knowing that you are really and truly in the middle of nowhere.

Thus far, most of the relatively few holidaymakers who have found the Bay Islands have been North Americans, and most of these have been scuba divers. Diving enthusiasts say that the reefs, underwater walls and wrecks off the islands provide some of the world's finest and least-explored diving sites, and virtually all of the upscale resorts on the islands offer professionally-run diving programmes.

Hopping off a boat into, say, 100ft of water while wearing more equipment than would be required to mine coal has never seemed appealing to me. Snorkelling, however, offers at least some of diving's pleasures *sans* the hardware.

Although my wife and I had done a bit of snorkeling in the eastern Caribbean, we were unprepared for the extraordinary array of coral formations and undersea life on the reefs off Guanaja: star fish, octopus, black angel fish with brilliant vertical yellow stripes, riotously-coloured parrotfish, not to mention the barracuda.

My spouse spotted a barracuda on our first day of snorkeling and beat a prudent retreat to the boat. Barracudas are curious creatures, which watch you as carefully as you watch them, and they appear to have more teeth than is strictly necessary. A reference book we consulted that evening offered the equivocal observation that reports of barracudas' attacks on humans were "largely unfounded."

A professional diver at our hotel attempted to paraphrase this by explaining that a barracuda will not attack a swimmer unless the swimmer, say, inadvertently punches the barracuda on the nose. While my spouse, who does not wear her contact lenses in the water, found this less than fully reassuring, we had no problems with the barracudas.

One of the pleasures for a non-diver in staying at a dive-oriented resort is that, after the dive boat leaves in the morning, the place is empty and you have the beach, the pool and all the other facilities to yourself. Our hotel also arranged a boat to take us to an uninhabited offshore cay for snorkeling and a picnic.

Bonacca: bits of banana boom architecture remain

This Robinson Crusoe experience involved being dropped off with provisions and a two-way radio which we hoped would work. Our concern seemed less pressing after several hours' sun and a bottle of wine. On another day we hiked up a stream bed into the hills to a 25 ft waterfall, descending through groves of lime and coconut trees to an empty, mile-long white sand beach.

Assuming that Central America does not go up in smoke, the Bay Islands will not remain undiscovered for long. Except for a rainy season from October to December, the weather is ideal: the temperature in the low 80s with a regular brisk easterly wind. Locals say that it rarely rains from February to May.

Guanaja has only two upmarket hotels at present, with fewer than 25 rooms altogether, and the island's rugged terrain will probably help preserve its isolation. Nonetheless, land prices are creeping up and rumour has it that north Americans have been buying quietly for some time. Expatriates now occupy many of the offshore cays, though the logistical problems of construction are substantial.

Development has proceeded fastest on Roatan, the largest and most populated island in the group, which now boasts one road, a widespread telephone service, several resorts and a paved airstrip that appears long enough to accommodate the Space Shuttle. The airstrip still lacks a tower and lights, but these are promised, and two US airlines have reportedly bid for landing rights.

Bay Islands falls into the adventure travel category

The islands are in fact closer to Miami (and much closer to Houston) than many popular eastern Caribbean holiday spots. For the moment, however, the Bay Islands still fall in the adventure travel category, a world apart from the 13,000 hotel rooms of glitzy Cancun only 300 miles up the Caribbean coast.

The only flight out of Guanaja leaves at 6am. Catching it entailed waking at four, followed by a choppy trip to the airstrip in a 14ft water taxi operated by a cheerful islander who occasionally flicked on a hand-held spotlight and peered into the darkness before gunning the boat forward.

He deposited us and our bags on the dock near the wooden TAN/Sahsa shack, which we beat upon with our fists until the night watchman woke. We checked in by candlelight, flew from Guanaja to Roatan to San Pedro Sula to Belize to Miami to New York in 12 hours flat, and woke the next morning wondering if we had dreamt it all.

■ **Getting there.** *The Honduran airline TAN/Sahsa flies to the Bay Islands via San Pedro Sula and LaCeiba, daily from Miami and several times a week from Houston and New Orleans. US visitors to Honduras require visas, but UK visitors do not.*

■ **Staying there.** *Guanaja island has only two resorts. We were very comfortable at Posada del Sol, which offers 16 rooms, a small private beach, pool, tennis court and two diving boats. The seven-room Bayman Bay Club, on the largely uninhabited north shore of the island, is also in the first-class category and caters chiefly to divers. There are two more spartan hotels in Bonacca Town. Roatan island offers more than a dozen resorts and hotels, most very small with the exception of Anthony's Key, a major diving resort that accommodates 100 or so guests.*

■ **Information.** *Few travel agents know anything about Honduras. The best all-purpose contact is Honduras Information Service, 501 Fifth Avenue, New York, New York, 10017, tel: (212)-490-0766.*

TRAVEL BUSINESS

Buoyant cruising

CRUISING HOLIDAYS have emerged in the late 1980s as one of the fastest growing specialist holiday sectors, having captured a new market of young families who prefer the cruising alternative to yet another package holiday destination.

Figures released this week, from the Passenger Shipping Association, which monitors holiday cruises, show that the number of Britons taking cruises last year rose by a healthy 12.5 per cent to reach a total of 144,000. The increase is part of a rising trend over the last few years in the popularity of cruising, a trend that has continued in 1989 with all cruise operators reporting record levels of demand.

"After a very buoyant winter cruise programme, we are experiencing a 25 per cent increase in demand for summer bookings," says Nigel Lingard, director of Fred Olsen Travel, the leading UK operator of cruises out of the UK.

P & O Cruises also reports that demand for cruises to Europe and Alaska destinations this summer is "exceedingly strong". Gwyn Hughes, marketing director of P & O Cruises, says that "we anticipate very good sales in the Caribbean next winter."

Several factors have spurred on the growth in cruising holidays among Britons in recent years. These include disenchantment with traditional continental package holidays because of airport delays and poor standards in Mediterranean beach holidays.

"People are looking for an alternative type of holiday – they have had enough of spending the first day or so of their holiday sitting in an uncomfortable airport lounge," says Chris Coates, sales and marketing manager of CTC Lines.

But, more significantly, the cruising boom has come about as a result of determined marketing efforts by cruise operators to change the industry's image. Cruising out of the UK was perceived in the 1970s and early 1980s as being a very moribund and expensive holiday market, popular only with the elderly and retired who could afford to follow the sun.

Yet in the US, young families and singles discovered that a cruise – especially out of Miami – offered a value-for-money holiday with a difference. Television series such as The Love Boat – featuring stories set aboard a luxury cruise liner – helped reinforce the image that cruising was fun and not something just for the elderly.

Cruising still does have considerable appeal for "Woopies (Well Off Older People), but its resurgence as a holiday market has come about because Baby Boomers think cruising can be fun.

"We are definitely attracting a younger market, people in their 30s who see that cruising has something different to offer them," points out Stephen Odell, UK sales manager of Norwegian Cruise Line. "But we are also reaching a new market of adults holidaying for the first time without their teenage children and who want something different from the package deals they have been used to."

Most of the growth in cruising for Britons has been among fly-cruise holidays. A few years ago, most fly-cruises were aimed at the Mediterranean but now the clear trend, according to the Passenger Shipping Association figures, is towards Miami and the Caribbean.

"The vast majority of Britons who join our cruises out of Miami for a trip round the Caribbean have already spent some time in central Florida, most often at Walt Disney World," says Odell.

But as Britons appear ever-willing to travel even longer to overseas destinations, so many in the cruising industry see the Far East as being the next growth market. The PSA figures already report almost a doubling in the numbers of Britons who took a cruise to the Far East last year.

THE Inter-Continental Hotel chain, acquired by the Japanese leisure conglomerate Saison Group last year, is offering a summer sale of hotel rooms throughout July and August in its 106 hotels worldwide. The Inter-Continental hotel at London's Hyde Park corner, for example, is charging £95 a room during those months, about half the rate being quoted by nearby hotels. The company says the move is aimed at attracting new customers because there is a smaller business trade in July and August.

David Churchill

MOTORING

Conflict of objectives

Stuart Marshall receives some strong views on car emissions

MY ATTEMPT two weeks ago to sort out some of the confusion surrounding car emissions seems to have interested many readers.

One letter I received was from Charles Bulmer, of Camberley, Surrey. A distinguished former editor of Motor magazine, he left journalism to return to engineering. He recently retired after spending some years with Rover Group researching technical difficulties of fuel economy and environmental matters.

"For this reason I am particularly conscious that most of what is said in the Press on these subjects is wrong, misleading or one-sided," he wrote.

"Your article, on the other hand, was extremely good and very well balanced in that it brought out the fundamental problem that environmental objectives may be highly conflicting.

"I believe that the greenhouse effect is going to force us back into another economy era like the Seventies and that current lead and emission problems will be seen to be relatively insignificant.

"It is unfortunate," he concluded, "that they have attracted a mythology of their own."

Steve Elsworth, air pollution campaigner of Greenpeace, the environmental pressure group, disagreed with a number of the points I made.

"Catalytic converters do not typically add £500 to the price of a car; £150 to £370 was the price range quoted by the under secretary of the Environment on January 20 1988," Elsworth wrote.

(Very few British car buyers have a catalytic option. A Rover Sterling with catalyser to special order costs £965 more than the standard car. VW is offering replacement exhaust systems with catalytic converters for many of its cars at prices ranging from £164 to £600. CoR Cars says the cost of adding catalytic converters as standard equipment to its Galant and Shogun V6 is about £260 and £248 respectively).

"Catalyst cars do not emit up to 25 per cent more carbon dioxide than non-catalyst cars," Elsworth goes on. "Total carbon dioxide emissions (from both types) are only marginally different."

Other points from the Greenpeace letter are:

■ Catalyst cars do not threaten to increase the greenhouse effect more than non-catalyst versions.

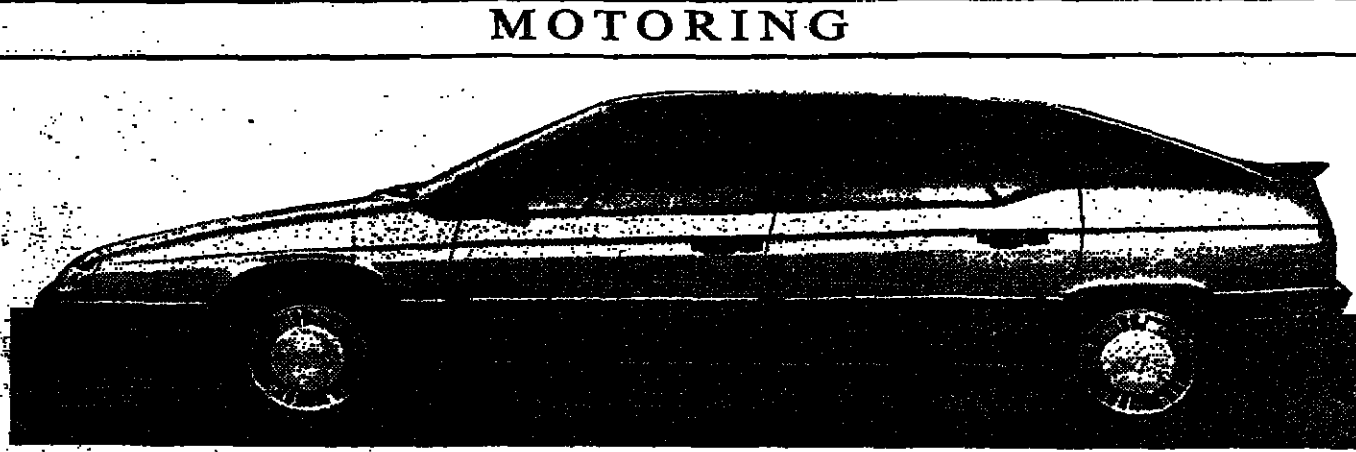
■ Lean burn engines are not significantly more fuel-efficient than catalyst cars.

■ Fuel efficiency is in any case not decided solely by choosing a catalyst or lean-burn engine. Manufacturers have developed 100 mpg (2.82 l/100 km) prototype vehicles by experimenting with different body materials. These would operate with either catalyst or non-catalyst engines.

■ The overall impression given by the article was that catalyst cars are more environmentally damaging than non-catalyst cars when the reverse is true.

There was a non-technical and probably non-controversial contribution from Mr D.E.T. Wadsworth, of Twickenham, Middlesex. He thought we should try to cut out short journeys and walk instead.

"Perhaps we should have an 'Is your car journey really necessary?' campaign, like the one to reduce travel generally during World War II."



THE NEW Citroen XM, now on sale in France, promises to make as big an impact on British executive car buyers and user-choosers as the BX has had on family and fleet motorists.

Though the XM's lineage goes back to the DS19 – the revolutionary "deesse dimanche" which startled the automotive world nearly 35 years ago – and the CX of 1974, it is as conventional as they were quirky.

Conventional, that is, if you can accept (as millions of Frenchmen have done) that using hydro-pneumatic units with self-levelling is the right – indeed logical – way to make a car ride properly.

The XM (pictured) has hydro-pneumatic suspension taken one stage further. It has been married to electronics that sense road conditions and driving style and adapt the suspension accordingly.

Drive slowly through town and the ride is "boulevarde." Press on regardless over winding roads and the suspension stiffens up, maximising roadholding and handling security.

Clearly, further development will take place during the XM's lifetime, which will extend into the next century. By then it will almost certainly have a fully active suspension, such as Lotus is now developing.

That will enable the XM to go through bends at speed without any body roll and ride on a completely even keel, regardless of road surface.

With its low nose, aerodynamic shape and very long wheelbase, the XM could only be a Citroen. But, unlike the DS19 and, to a lesser extent, the CX that succeeded it, the XM is hardly a quantum leap into the styling future.

Its engines (from two-litre, four-cylinder petrol and diesel to a 2.8 litre petrol V6) and transmissions, though not the suspension, will be shared with the soon to be announced Peugeot 605 replacement, the 604.

I have not yet driven the XM. At the time of its international media launch, I was on holiday, trying to avoid hypothermia as I hacked my way, numb-fingered, round a Cumbrian golf course in rain and a gale of wind. But I shall do so soon.

Those who have tried it tell me that the fuel-injected two-litre (about £14,000 in France) felt an even better all-rounder than the V6 (French price around £20,000). All praised the ride and handling combination as exceptional, even unique, and reckoned that the XM would be the first big Citroen with wide appeal to the British executive market.

I find this believable, even predictable. The "loves driving, hates garages" BX persuaded British motorists and fleet managers that a Citroen could be a sensible buy because it offered reliable sophistication at a seductively keen price and had good retained value. For similar reasons, the XM could make conquest sales in the market segment now dominated by cars like the Audi 100, BMW 5-Series, Mercedes 200 and Rover 800.

We in the UK will have to wait until October for the XM. It makes its right-hand drive debut at Motorfair, which is being held at Earls Court from October 19-29.

Prices are bound to be competitive but will be higher than the £14,000 to £20,000 figures in France.

S.M.

Tony Andrews

A "re-run" at Brooklands with, from left: a 1948 Frazer Nash fast tourer, a 1952 Frazer Nash Sepring and a 1928 Amilcar

It's R for Robert, calling

A handful of enthusiasts plan to put Brooklands on the museum circuit. ***Tim Burt*** *reports*

THE SULTAN of Oman's private VC-10 shimmered in the heat on the runway. The aircraft, fitted with gilt taps and luxurious staterooms was, however, some 3,000 miles from Muscat, its former base.

The aircraft, which saw action with the Sultan's royal flight for 12 years, has made its *last flight and sits, disabled* without its engines, on the tarmac at Brooklands, the historic air base in the English countryside, where it was built and first took off.

Brooklands, 20 miles south of London, housed the VC-10 production line during the 1960s. The Sultan has dispatched his flying home, in effect, back to the womb.

The aircraft is to form part of a museum on the Surrey country estate which became the heart of British aircraft development and, above all, world motor sport.

In 1907, local landowner Hugh Locke King converted more than 400 acres of his estate into a motor racing track. Within a few years racing drivers – then seen as knights in four-wheeled shining armour – were driving their machines at unheard of speeds reaching 130 mph.

Brooklands, with its exclusive clubhouse, punting river and drivers' paddock became the Ascot of motor racing. The roar of motors on the starting grid coincided with the first propeller splutters of aviation and before long engines which had previously stuck to the road were fitted with wings and Britain's first aircraft took to the skies from an airfield within the racetrack.

The day after a procession of cars opened the racetrack on June 7 1907, A.V. Roe flew for 150 ft at a cruising altitude of 3 ft – the first flight in Britain by a heavier-than-air machine.

The early aviators mingled with racing drivers in what *became the golden age of* motor racing. Tommy Sopwith, the veteran aircraft designer, rubbed shoulders with drivers such as Prince Birabongse of Siam and the US millionaire Whitney Straight.

The museum hopes to recreate the era when the fastest way to travel was in cars with ornate names such as the Fiat Mephistopheles, Count Zborowski's Chitty Bang Bang and the Dueseunberg driven by Whitney Straight.

The cars were put through their paces in 500-mile competitions – 300 laps of the track – spread over two days.

A handful of enthusiasts led by Sir Peter Masefield, who regards the site as the "cradle of British motor sport and aviation," are determined to put Brooklands on the museum circuit.

More than £6m is needed to prepare the museum for its 1991 launch, and Sir Peter, chairman of the Brooklands Trust developing the museum, estimates up to £20m will be needed to realise the dream of racing and flying there again. Sir Peter, former chairman of the trustees of the Imperial War Museum, is devoted to the idea of a working museum celebrating British transport history.

Sir Peter is using influence derived from 50 years in the industry, which also saw him head British European Airways (now British Airways), *the British Airports Authority* (now BAA) and London Transport, to obtain some of the top crowd-pullers for Brooklands.

As former deputy chairman of British Caledonian Airways (now also part of BA), which sold the Sultan of Oman the VC-10, Sir Peter was ideally placed when the Sultan decided the long-haul aircraft was just too small for his needs and bought a jumbo jet to replace it.

Brooklands already boasts exhibits which would be the envy of many existing museums. A hundred yards from the VC-10, two of the "tall-boy" bombs which sank the Bismark, the pride of Hitler's navy, stand guard outside the restored clubhouse.

The bombs were designed by Barnes Wallis, the aviation pioneer who masterminded the Dambusters raid on Nazi Germany and who designed the Wellington bomber. A Wellington is sitting, stripped to its patchwork airframe, in a rusty hangar on the Brooklands site.

"Barnes probably got the idea for the Wellington airframe from knitting. He always used to knit in his spare time," Sir Peter recalled.

R for Robert, the Wellington's call sign, is no ordinary relic that survived the ravages of war. It spent over 40 years on the bottom of Loch Ness after ditching on a training flight. Part of the forward fuselage was later recovered from a *Shropshire farm where it* was used as a greenhouse.

When R for Robert was raised from the loch in 1985 and restorers connected a power supply to its electrical system, the bomber's navigation lights lit up.

More than 5,000 Wellingtons were built at Brooklands, where R for Robert is being painstakingly restored by retired engineers who used to build the aircraft there for Vickers and by engine mechanics from British Airways.

The museum's success depends on the British appetite for nostalgia. Sir Peter thinks the mix of 1920s racing glamour and aviation development *from biplane to Concorde* (Brooklands produced much the supersonic jet's design work) is a recipe for success.

Brooklands is following the trend in "working" museums by developing educational facilities and offering veterans and enthusiasts the chance to drive their vintage cars or land their aircraft at the airfield.

The Brooklands team are in a race to prepare the museum for 1991. Sir Peter told them: "Eighty years ago, the atmosphere was all of enthusiasm, determination and expectation of great things to come, looking ahead into a sparkling future.

"I hope we can make Brooklands again a centre of interest, attractions, of memories and example for generations to come."

Chess

GARY KASPAROV, the world chess champion, comprehensively outplayed a parliamentary team on May 4 in a simultaneous match of unusual interest. Eleven MPs, six peers and four staff members took on the Soviet grandmaster in the Grand Committee Room of the Palace of Westminster, but Kasparov beat them all in under two hours.

Jeremy Hanley, MP for Richmond and Barnes, confirmed his reputation as the best player in the Commons with a narrow defeat, and one opponent really made the champion think. Nicholas Walker, of the Clerk's Department, who as a schoolboy was runner-up in the London under-16 championship, held his own through complications, should have drawn, and only went down in a bishop endgame.

Kasparov had previously met teams of politicians from France and West Germany, though curiously none from the USSR. Despite this, it is probable that the Supreme Soviet would run away with a hypothetical parliamentary chess olympics. Both President Gorbachev's aide Yakovlev and the conservative Ligachev are reputed to be first category standard.

This month's match had an ancient precedent at Westminster, Capablanca's exhibition in 1919. Then there were 38 challengers from the Commons alone. Capa conceded two draws, members came in droves to watch and escape from a boring debate, while Hansard recorded the following exchange:

Mr Hogge (MP for Edinburgh): "Who was responsible for authorising a chess tournament in which a professional chess player was to take part during a discussion on an important land measure for Scotland?"

Mr Bonar Law (Leader of the House): "The Serjeant-at-Arms, at the request of a committee of members."

Mr Hogge: "Is he prepared to say that this is not to be a precedent? Would permission be granted for a prize fight?"

Mr Bonar Law: "If my honourable friend wishes to take part in a prize fight and makes application in the usual way I am sure it will be considered."

Bonar Law, later the Prime Minister, was the best chess player in the Commons and was accorded the privilege of taking on Capa in a consultation game with two other MPs. It lasted 46 moves, and Bonar Law put up very respectable resistance.

Probably the chessic parliamentarians of 80 years ago would have beaten those of today. A frequent weakness among Kasparov's opponents was to choose unorthodox openings, then launch dashing but dubious attacks with too few pieces. This week's game was among the most entertaining of the match. Dr Lewis Moonie is the Labour MP for Kirkcaldy.

White: G. Kasparov.
Black: Dr. L. Moonie.
Modern Defence.

1 P-K4, P-Q3; 2 P-Q4, N-KB3; 3 N-QB3, P-KN3; 4 B-K2, B-N2; 5 P-KR4, P-N3?

Black loses time, and develops his bishop where it faces a solid chain of White pawns. Better choices are P-B4 or P-KR4.

6 P-R5, B-N2; 7 P-R6, B-KB1; 8 P-B3, P-B4; 9 P-Q5, P-K3; 10 B-N5 ch, KN-Q2? 11 N-R3, Q-B5 ch; 12 N-B2, Q-Q1; 13 P-B4, P-R3; 14 B-QB4! N-K4?

It may sound less majeste, but 14 PxP! was better: PxB (PxP; 15 B-QB4); 15 PxN ch, and if QxP; 16 NxP, P-Q4? 17 PxP, BxP? 18 QxB or 15 ... NxP; 16 NxP, N-B3; 17 B-N5. In turn Black should put up the central shutters by 14 ... P-K4!

15 B-K2, PxP; 16 NxP, QN-Q2; 17 P-KB4, N(4)-B3; 18 B-K3, N-B3; 19 B-B4, NxN; 20 BxN, N-R4; 21 BxB, NxB; 22 Q-B5!

Now Black suffers from the light square weaknesses created at move 5.

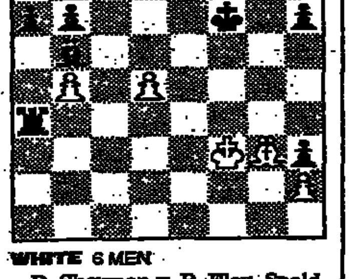
22 ... Q-Q2; 23 O-O-O, O-O-O; 24 K-N1, K-B2; 25 P-B5, Q-B3?

A mistake, but the game is already lost as White can progress by N-N4, KR-B1 and B-N5 with invasion of the sixth and seventh ranks.

26 QxBP ch, Q-Q2; 27 Q-Q5, PxP; 28 PxP, QxBP; 29 N-R3, R-Q2; 30 N-B4, N-Q1; 31 Q-R8! R-KR2; 32 N-Q5 ch, K-Q2; 33 NxP ch, Resigns.

PROBLEM No. 774

BLACK 7 MEN



WHITE 6 MEN

D. Sherman v. B. Eley, Spalding 1970. Weekend and one-day tournaments, with their highly geared prize funds and long hours, are among the most demanding forms of chess competition. Often, as here, the critical moment in a struggle for first place comes late in the final round with both players under pressure from the clock.

Black, an England International, continued 1 ... P-R4; 2 RxP ch, K-B3; 3 B-N8 when they agreed a draw. Can you spot the hidden missed opportunity in this sequence?

Solution Page XXIII

Leonard Barden

Bridge

TWO HEART contracts from rubber bridge teach us that the wise declarer must consider possible bad breaks before he plays to the first trick. Study this:

N
♠ A Q 6
♥ 10 8 7 5 4
♦ 6 2
♣ Q 10 8

W
♠ K 10 2
♥ Q 6 3
♦ K Q 10 7
♣ 7 6 5

E
♠ 9 8 7 4
♥ –
♦ J 8 5 4 3
♣ A 9 3 2

S
♠ J 5 3
♥ A K J 9 2
♦ A 9
♣ K J 4

At game all South dealt and opened the bidding with one heart, North raised to three and South's four hearts concluded the *auction*. West's opening lead was the king of diamonds.

Winning in hand, the declarer cashed his ace of hearts and East discarded a diamond. South switched to the four of clubs and dummy's queen lost to the ace. East could see that his partner might be endplayed, so in an effort to free the position he played back the spade nine, hoping that West might hold three cards in the suit to king, knave, or king, 10.

Dummy won with the queen and returned a club. Cashing king and knave, followed by the heart king, South exited with the nine of diamonds. East won and returned the eight of spades, South played his knave, but the king covered and South could not make his contract – he had to lose one trick in each suit.

Let us do better. We allow the diamond king to win, take the next diamond, cash the heart ace and learn the bad news. But we are in control. We play a club to the queen and ace. Taking the club return – East has nothing better – we switch to a spade and finesse the queen. This holds, we cash the last club and the king of hearts, and throw West in with the queen. He is endplayed and has no good return. A spade runs into our split tenace and a diamond concedes a ruff discard.

Now for the next hand:

N
♠ A 7
♥ 8 6 4
♦ A 7 5
♣ 8 7 5 4 3

W
♠ Q J 10 8
♥ J
♦ 10 9 4 2
♣ Q J 10 6

E
♠ K 6 5 4 3
♥ 10 9 7 3
♦ J 3
♣ K 2

S
♠ 9 2
♥ A K Q 5 2
♦ K Q 8 6
♣ A 9

With North-South vulnerable South dealt and bid one heart, North raised to two hearts, the correct response, and South went to four. West led the spade queen. Without any real thought the declarer took with dummy's ace and played a trump to his ace. The fall of West's knave was disturbing and when the king of hearts was made, the 4-1 break was confirmed. Now diamonds had to be catered for, so South cashed his king and crossed to dummy's ace – he got that right – and returned a diamond. East ruffed, led a spade to his partner's 10 and ruffed West's diamond return.

Once again the opening lead should be ducked. West switches to the club queen, the king overtakes and this, too, is allowed to hold. East leads the diamond knave, South wins with the queen and cashes ace, king of hearts. He crosses to the diamond ace and leads a third diamond. East discards – there is nothing to be gained by ruffing – and the king wins. Now the eight is ruffed with dummy's last trump. East can overruff or discard, as he pleases, but his heart 10 is the only other trick for the defence.

E.P.C. Cotter

How to solve current fears

Stuart Marshall *suggests cures for a flat battery*

MORE THAN 50 per cent of calls to the AA and RAC rescue services are said to be the result of flat batteries. Mainly they are due to lights left on, perhaps in an airport car park. Or it is easy to switch on the ignition (and heated rear window) accidentally to listen to the radio while the car is at, say, a race meeting, and thus flatten the battery. I have done both things myself.

Another cause is that motorists are tending to take more out of the battery than the alternator can put back into it, especially if the drive belt is *not properly tensioned*.

Many cars now have heated seats, windscreens, backlights and wing mirrors, electric windows and sunroofs, powerful in-car entertainment systems and telephones. They, and the use of headlamps in slow-moving traffic, put a big load on the battery.

Whatever the cause, lack of current will stall any car, be it the oldest banger or latest luxury saloon. And it is not just a winter motoring problem.

In most cases, all the recovery serviceman does is connect up jump leads, restart the engine and tell the driver to switch off as many things as possible until the battery has charged up a bit. Straightforward enough, but it can be terribly time consuming, especially if you are already running late.

Enter the instant jump start, or IJS for short. This all-British idea was originally aimed at business drivers for whom lost time is lost money. But women motorists, rightly fearful of being stranded, are also being seen as likely customers.

An IJS installation includes a second battery, mounted alongside the original if there is room. This is kept fully charged *while the car is in use* and can never be discharged accidentally. If the main battery goes flat, you push a button on the fascia. The reserve battery restarts the engine and as you drive, the car's electrical system should gradually recharge the main battery.

IJS is not expensive. The control and switching module costs £48 and a DIY pack will be available from £66. A complete installation by the makers – and soon from franchised outlets at instant-fit tyre, exhaust and battery centres – is about £150 upwards according to model. Details from Supertron, 19-21 Fosse Way, Ealing W13 0BZ, tel 01 998-6372.

An alternative, which involves leaving the car and opening the bonnet but which can also be used to drive 12-volt electric tools, hedge trimmers and so on, is Powerbank.

This neatly cased pack of batteries, mains rechargeable,

has its own built-in leads, control panel and charger. When the car's battery is flat, you put Powerbank on top, clip on the leads and *it* will start a petrol engine of up to 1.8 litres capacity. Providing it is recharged, it can be used over *and over again*.

Powerbank, which is little larger than a shoe box, costs about £100. Look for it in mail order catalogues or contact the maker, Powerbank, 48 Earlsway, Teeside Industrial Estate, Thornaby on Tees TS17 9JU, tel: 0642-750666.

Before and after Indian Partition

A.L. Rowse praises a monument to 'a truly great man'

THE BRITISH CONQUEST AND DOMINION OF INDIA
by Sir Penderel Moon
Duckworth £60.00, 1,235 pages

VIEWED FROM the perspective of world history the British record in India is one of the most astonishing of all. Sir Penderel Moon calls it an "episode"; but what an episode! In this tremendous book – the author died after completing it in 1987 – it appears as the wonderful story it is, wonderfully told.

But in no spirit of mere laudation. Moon's is a philosophic mind above all that: a critical spirit who sees the shortcomings and failures in the enterprise, and of the people involved in it, and awards approval rather sparingly only where it was properly earned.

Himself one of the few truly great men I have known, he devoted his life to India, loved India and had a generous appreciation of the peoples and personalities for whom and with whom he worked. And they responded to him, as the tribute from a distinguished Indian at the end of the book bears witness.

Moon went to India and into the Indian Civil Service when young, out of idealism and in the spirit to serve the land and the people. But he also was a realist. He says, "it may be doubted whether the course of history is determined by moral principles." This is all the more cogent coming from one whose own ethical standards were of the highest. These are evident in his book, as they were all through his remarkable career: justice of mind in the rarest degree, impartiality along with instinctive understanding and sympathy, exceptional clarity and incisiveness of mind.

Moon's interest lay in governing peoples, and this above all is a *governmental* book: it explains how what has been called a "miracle" – of such a comparatively small number of people controlling a sub-continent – came about and how it lasted so long. Moon thinks rather too long: the hand-over might have been dated after the First World War rather than the second. But was that possible then, in all the circumstances?

Thinking always of the long-term interests of India, Moon would like to believe that Partition was at some point avoidable, and that Pakistan was solely the creation of Jinnah. When one looks around the world today one doubts that: national-communal-religious feeling seems the strongest feeling there. Moon has no hesitation in describing "the incorporation of Muslim Kashmir in Hindu India by the professed democrat Nehru, without holding the plebiscite that had been promised" as "iniquitous." Moon was a friend and co-operator of Nehru, but was never afraid to pinpoint injustice.

He is ready to describe "a corrupt intriguing scoundrel" among the servants of the East India Company, when he detects one – without sufficiently allowing for 18th century standards everywhere. He does allow for "the venal politicians of England" and condemns "the curse of patronage," but was that any worse than everywhere else in that age? Indians themselves realised that even the Company's rule was better intentioned and fairer than native tyrannies, and co-operated accordingly.

This is the main, and original, theme of the book – that British rule was really an Anglo-Indian Raj, and could never have been carried on without Indian co-operation. Moon pays tribute to the qualities of the troops, the sepoys, under training and discipline: even during the Mutiny the majority remained with the British and showed the greatest bravery.

Among many illuminating observations Moon regards "the starting-point of the whole episode" as "the French attempts under Dupleix to gain control of the Carnatic and Hyderabad." The brilliant Dupleix was a real imperialist, out to build an empire. It may be doubted if the British originally were: they were traders, out to make profits. But they were drawn on and on into the vacuum created by the collapse of the Moghul empire and of all central authority. Some expansion, onward march, was unavoidable, if not inevitable, constantly against the will, and often direct orders, of the Company's directors and then the government at home.

The great Warren Hastings was really opposed to the anglicisation of administration and the law, he wished to rule even more through Indian means and custom. Circumstances – and perhaps the logic of events – were too strong for him. It is nice to see Burke and Macaulay getting their comeuppance for their treatment of this splendid servant of the state and of India. Moon concludes mildly that the long drawn-out agony of Hastings's impeachment "served no useful purpose whatever." I would conclude that it was the greatest disgrace, and the silliest, in the Whig record.

This vast tome makes a splendid monument to a great man. It is also an indispensable contribution to history – all respect-worthy libraries should have it.

Sir Penderel Moon: his earlier writings include brilliant short lives of Warren Hastings and Gandhi

To know was not to act

Zara Steiner on a chilling examination of the Red Cross and its response to Nazi deportations of Jews

UNE MISSION IMPOSSIBLE? LE CROIX ROUGE DANS LA DEUXIEME GUERRE MONDIALE
par Jean-Claude Favez avec Geneviève Billeter
Editions Payot, Lausanne Swiss Fr 54.00, 429 pages

THIS IS a book that should be quickly translated into English and read by the widest audience possible. Jean-Claude Favez is a well-known Swiss professor of diplomatic history and currently Rector of Geneva University. He was commissioned to write this study by the International Red Cross and given free access to previously unused archives.

The result is a chilling account of the response of the International Committee of the Red Cross towards the Nazi deportations and killings of European Jewry during the Second World War. In addition to the thousands of documents consulted, some reproduced in this volume, Prof Favez has drawn on his own knowledge of that exclusive Genevois circle of families, who for generations have shaped the fortunes of the International Red Cross (ICRC).

The picture which emerges is one of excessive caution and prudence, hesitation and delay, which, however explicable in terms of the ICRC's "legal" mandate and the exposed position of Switzerland in a Nazi-dominated Europe, casts a dark shadow on its reputation.

In the face of appeals for information and for aid and assistance to those Jews who had been stripped of all juridical status by Hitler's decrees, the ICRC "often sought, not the means to act, but on the contrary a justification for not acting. . ."

We already know a good deal about the limited response of the British and American governments to this unique tragedy; Prof Favez shows that the Swiss Government, with more reason, was even less willing to assist these victims of Hitler's ideological crusade. But the focus of this inquiry is the International Red Cross, a humanitarian organisation, and not the government. It was, unfortunately, unrealistic to expect more from Geneva than from our own government.

It was, as Prof Favez's abundantly documented account makes clear, not a question of ignorance. Through personal contacts with German officials and visits to camps, the International Committee was fully informed of the Nazi treatment of the Jews before the outbreak of war. Thereafter, through information from national branches, individual agents in place and from Swiss government sources, the ICRC assembled an accurate picture of the round-up of the Jews and their deportation to the East.

Correcting the details, even in Walter Laqueur's *The Terrible Secret*, Prof Favez shows that without appreciating the full dimensions of the 'horror,' the CICR was told of the Nazi plan for exterminating the Jews and their implementation in the late summer or early autumn of 1942. During the second half of 1943 and throughout 1944, this information grew in quality and quantity. There were visits of Red Cross delegates to Theresienstadt, in June 1944, and to Techen, the prisoner-of-war camp at Auschwitz in September.

To know was not to act. Even when appraised of the enormity of Hitler's "final solution," the International Red Cross was unwilling to speak out on behalf of the Jews. At the end of September 1942, 21 of 23 members of the key policy-making committee favoured a public appeal against these wartime violations of human rights. Yet, when the final decision was taken, with the Swiss Government playing a crucial role, it was decided not to speak.

This is a sober, detailed, and carefully balanced book. Prof Favez stresses that the ICRC was a tiny organisation with limited funds, dependent on co-operation of member states and caught up in a whirlwind which undermined those very moral principles upon which it operated. The Geneva organisation was faced by the refusal of the Germans to accept any form of outside intervention in Jewish matters, the Nazification of the German Red Cross, and by the often inhuman response of concentration camp heads, when packages and medical aid finally reached civilian prisoners.

Between 1940 and 1944, moreover, the ICRC had to respond to demands for prudence from the Swiss Government; this book has already re-opened an unwelcome domestic debate about the behaviour of the Berne Government in wartime. Admittedly, Prof Favez's account centres primarily on the Geneva organisation. He does not explore in any detail the often courageous acts of individual Red Cross representatives in Berlin, Bucharest, Budapest or in Croatia and Italy.

Frederic Born, the delegate sent to Budapest in 1944, is one of the few heroes in this not very heroic history, a man who often acted in disregard of orders from Geneva, to aid, hide and move to safety those Jews still free.

The ICRC made some efforts to assist Jews who, even after the Germans sealed the doors of occupied Europe in 1941, managed to secure certificates of immigration and were permitted to leave states not yet under direct German rule. Despite German refusal to grant transit permission, British restrictions on immigration to Palestine, and the closing of Swiss frontiers to Jewish refugees between 1942 and 1944, there were opportunities to save lives.

Some Jews managed to leave, the numbers often small in comparison to the enormous efforts made to assist them. But too often, the ICRC proved so anxious to safeguard its neutrality that opportunities were missed and less done than might have been possible, had Geneva acted with greater speed and resolution.

Prof Favez concludes this history with a country-by-country survey of what the ICRC tried to do and what it accomplished. There is a separate chapter on Hungary, where, as late as the spring of 1944, the Jewish community was still basically intact, and Admiral Horthy willing to negotiate even after the entry of German troops and the beginning of the Jewish deportations.

Would a more positive stand have made any difference? A public appeal in October, 1942, would have fallen only on deaf ears in Berlin. No Red Cross action could have saved the Jews of Germany and occupied Poland. More might have been done in the unoccupied territories of the allies and satellites of the Third Reich, particularly in Romania and Hungary. But even where the efforts of the Red Cross were doomed to failure, it would have been less shaming to have tried earlier, more often, and with greater conviction.

Dibdin

Coonts

HOME RUN
by Gerald Seymour
Collins Harvill £12.95, 383 pages

FINAL FLIGHT
by Stephen Coonts
Doubleday £12.95, (£6.95, paperback) 387 pages

HEAVEN'S EMPIRE
by Simon Bell
Heinemann £10.95, 203 pages

THE TRYST
by Michael Dibdin
Faber & Faber £10.95, 168 pages

COVER FOR A TRAITOR
by Palma Harcourt
Collins £11.95, 283 pages

Bell

Seymour

Hackneyed plots and first-class fun

THRILLER WRITERS often receive a bad press in literary circles. They are seen as the poor relations of the business, the hacks who cannot aspire to any higher form of art.

The public, though, continues to buy thrillers in ever larger quantities, perhaps because they are fast and action-packed, with no frills and a coherent plot – everything the modern novel ought to be but rarely is. Some argue that thrillers and detective fiction are what story-telling is all about, and who is to say they are wrong?

Be that as it may, this week's crop of thrillers yields plenty of first-class entertainment, although one or two of the plots are a little hackneyed. Gerald Seymour's *Home Run* – the best of the bunch, though only by a short head – opens grippingly with the public execution of an Iranian girl, and never looks back.

Even as the unfortunate victim is dangling from a crane in Tabriz, her exiled brother swears revenge. The rest of the book sees him making good his threats, one by one, in plenty of gory detail.

It is not as simple as that, of course, for the brother funds his campaign by smuggling drugs into Britain. This brings him to the attention of Scotland Yard, and to a cabinet minister whose daughter died of an overdose and who uses all the resources of the state to see that her "murderer" is brought to justice.

The security services, on the other hand, view the Iranian as a useful ally in the fight against Khomeini. Even those on the same side are against each other, which makes for plenty of skulduggery in the best Seymour tradition.

Final Flight, by Stephen Coonts, is excellent too. It is set mostly in the Mediterranean and the enemy this time is not Iran but a Gadaffi-like figure planning to steal six nuclear warheads from aboard an American aircraft carrier.

The plot may sound a little far-fetched, but the author handles it ingeniously enough. Fans of his previous book *Flight of the Intruder* will be glad to know that Captain Jake Grafton is alive and well and in command now of an air wing aboard the carrier. Indeed Jake is the only man who can stop the Gaddafi figure from achieving his objective.

Where the book really scores though, is in its depiction of life as a pilot aboard a super-carrier. The author himself flew bombers in Vietnam, with 305 carrier landings to his name, and clearly knows his stuff. He wastes few words, and writes with great authority.

Heaven's Empire, a first novel by Simon Bell, begins unpromisingly with a disastrous day for gold in New York. Unpromising because the author insists on calling the day Black Friday, which makes it sound too much like all those other black days one has to cope with, not only in fiction, but also in real life.

Fortunately however, the day only lasts a few pages. It ends with the death of a major player in the market, who finds himself down a couple of million or so and apparently chooses suicide as the only way out. He has been deliberately squeezed dry by a person or persons unknown. His friend Sean Drexler sets out to discover who.

The rest of the novel takes Drexler from London and Bangkok to Switzerland and Zaire, on the trail of the mastermind of the operation. The route is thick with arms-dealers, bar-girls, Triads, and severed hands picked up by mistake in the dark. The author tells his story with plenty of brio, and the twist in the tail is very neat indeed.

Judging by the advertisement on the cover, Michael Dibdin's new book *The Tryst* would appear to have won the 1988 Gold Dagger Award for the best crime novel of the year.

In fact the author did win the award, but for a different book. This one is altogether more low key, and charts the relationship between psychiatrist Aileen and glue-sniffer Gary, who is in trouble with the police because he discovered a murder victim and probably knows more about it than he cares to tell.

Aileen in turn is tormented by the sight of Gary, whose physical features closely resemble those of her dead lover, and perhaps their aborted child. Is Gary a reincarnation? Is she losing her sanity? Suffice it to say that this is a complex psychological thriller, that much of the action takes place in the mind, and that all comes devastatingly clear in the end.

Cover for a Traitor, by Palma Harcourt, is rather more traditional, an old-fashioned spy novel involving the KGB, the CIA, and the possibility of a mole in the English establishment.

The search for a traitor is triggered by the death of the British High Commissioner in Ottawa. Did he drown by accident, or did he kill himself to avoid a scandal?

The answer lies in Poland perhaps, or Moscow, and it would not be revealing too much to say that the trouble is caused by a woman – one about to become engaged to a future US President.

Nicholas Best

What the butler saw

THE REMAINS OF THE DAY
by Kazuo Ishiguro
Faber & Faber £10.95, 245 pages

WELL, WHAT exactly did the butler see? It is this question which the Japanese-born novelist Kazuo Ishiguro addresses in *The Remains of the Day* with all the solemnity of a philosophy tutorial. The butler whose mind and memories are thus examined is one Stevens. We never learn his first name because no-one ever uses it, not even the housekeeper, whose clear attraction to him he fails to recognise.

The "Day," which he revolves in his poor mind as he approaches retirement in the mid-1950s, is the period between the two world wars. He was then butler to Lord Darlington, whose Hall was the setting for many glittering Friday-to-Mondays. Ministers, diplomats, foreign ambassadors and other eminent guests would come to the hall and attempt to settle the fate of the globe in the opulent drawing-rooms after dinner, the atmosphere dense with cigar smoke.

Readers of *An Artist of the Floating World*, Ishiguro's earlier novel, will know that he has a heightened awareness of protocol and formal attitudes. He sees life as being essentially a matter of codes of conduct arising from family and group loyalties. This intense preoccupation with codes of behaviour continues to dominate his treatment of the world of the English Great House, an environment with which it is slightly at odds.

The plots that were being hatched while Stevens was dispensing the port and brandy were those of appeasement. Gullible Lord Darlington entertained Ribbentrop. In an excess of pro-German feeling his lordship became briefly a Nazi-sympathiser. He demanded of his butler that two maids who were Jewish be dismissed.

Here the breaking-strain of believability, continually stretched throughout, snaps under the strain, but luckily not before the crucial question of at what point obedience to a code of professional conduct may mask an urgent question of conscience has been dimly awakened in Stevens's brain.

On one of his rare holidays he ponders these matters, touring the West Country in his new American employer's Ford car. Stevens seems a strangely incompetent driver for someone whose watchword is efficiency; but, though humourless, sexless, loyal to a fault, he remains oddly endearing as he tries to work out what really happened during those years. Was he a "great" butler or a just moral coward?

By the end, he becomes more of a metaphor for the universal desire of the conscientious employee to hold down a difficult job in the face of adverse circumstances than a creature of flesh and blood. When one puts Stevens beside Ivy Compton-Burnett's magnificently epigrammatic butlers with their measured words of wisdom, on the one hand, and, on the other, beside Henry Green's randy corrupt Raunce in *Loving*, he does not seem to be truly representative of his profession. Let us hope not anyway.

Anthony Curtis

Arms and the man

MAN OF ARMS: THE LIFE AND LEGEND OF SIR BASIL ZAHAROFF
by Anthony Allfrey
Weidenfeld and Nicolson £14.95, 300 pages

SIR BASIL Zaharoff was a very rich, complex character who was fascinated by guns. He was born a Greek, died a Frenchman and in between was fêted in Britain both as a master of political intrigue, employed by the state and as a leading arms manufacturer. That much is well known about Zaharoff, who played a leading part in supplying weapons in the First World War and in a number of more minor conflicts around the turn of the century.

Allfrey's book attempts to fill in some of the gaps. They have come about partly because, shortly before he died in 1936 at the age of 87, Zaharoff perversely destroyed his memoirs. He "did not want to leave anything unpleasant" behind him, so Allfrey's book records.

Zaharoff also had an obfuscating life-style. He changed his name several times; he had three marriages: to an American heiress, a Spanish duchess and the daughter of a Bristol builder. He was also frequently on the move, travelling the world on behalf of his various clients, to effect a diplomatic coup here or fix an arms sale there.

Allfrey has been sleuth-like in tracking down the details of Zaharoff's various exploits and identifying interesting aspects of his career. And yet in many respects the book is unsatisfactory. It does not fulfil its declared promise of separating facts from fiction.

There are too many tales in the volume which sound suspiciously like exaggeration or hearsay; and then, a few lines later, Allfrey tells us that after all they might not be true. Thus Allfrey gaily recounts one legend that Zaharoff travelled, in disguise, to Germany during the 1914-18 war to visit arms factories on behalf of the UK government. Then follows the somewhat sheepish admission: "There is not one whit of evidence in support of any of this."

Towards the end of his life, Allfrey tells us, Zaharoff took up residence in Monte Carlo where he had a very jolly time and where he might – or then again might not – have increased his already great wealth by owning the casino.

Allfrey has another annoying habit of inserting into his volume passages of reported speech which are supposed to represent exact conversations of half a century or so ago, involving statesmen such as Bonar Law or Lloyd George. Sometimes, but not always, references are given to illustrate how Allfrey knows the words these people used. The references often turn out to be to newspaper cuttings or other ephemeral sources. Using reported speech in this way is supposedly to help the narrative along, but, many readers may find it irritating and condescending.

Maybe a biography of Zaharoff was an impossible task. This volume gives us a taste of the legend and the times in which Zaharoff lived but it falls a long way short of making the reader feel he understands him.

Peter Marsh

Some arcane matters

THE CONFESSIONS OF ALEISTER CROWLEY
edited by John Symonds and Kenneth Grant
Penguin, £14.99, 960 pages

A COURSE IN MIRACLES
Copyright: Foundation for Inner Peace, Tiburon, California.
Penguin, £12.50, 1,175 pages

TOWARDS AWAKENING
by Jean Vaysse
Penguin, £4.99, 170pages

SELF-HEALING
by Meir Schneider.
Penguin, £5.99, 190 pages. All the above are published at Arkana books.

PENGUIN BOOKS has acquired and is relaunching Arkana Books, setting its prestigious imprimatur on such supposedly unorthodox or exotic pursuits as Tibetan medicine, self-healing, astrology, the occult, oriental meditation and various gnostic forms of religion. The series is presented as "New Age books for mind, body and spirit," but a dominant urge of this new age is to rediscover the old.

Magician Aleister Crowley, who makes fleeting appearances in so many literary biographies from the first half of the century, placed himself massively centre stage in his splendidly intemperate autobiography *Confessions*. His savage relish for settling old scores by satiric bludgeonings would have made *Recriminations* a more accurate description. For all its vaunting egotism and unpruned redundancies it is a very readable and effective work of self-dramatisation.

A Course in Miracles shares Crowley's determination to transubstantiate the subjective into the objective, but Crowley, who in boyhood aspired to be the devil's "chief of staff," would have despised its intention of making each reader "Son of God" in 365 brain-bending lessons, delphically uttered by the Foundation for Inner Peace, California.

Rather more persuasive is *Towards Awakening*, Jean Vaysse's elucidation of the theory behind Gurdjieff's methods of achieving inner transformation. It is, however, a relief to turn from the abstract language and elusive promises of Vaysse's book to Meir Schneider's personal and specific account of how he cured himself of near-blindness and went on to lead others to self-healing.

Geoffrey James

A taste of democracy to take back home

***Christian Tyler** talks to students anxious to return to China to play their part in a changing order*

WHATEVER the immediate outcome of China's political upheaval, it could change for ever the lives of many of the country's young intellectual elite – the tens of thousands who are studying at universities in the West.

Their experience of the West does not automatically convert them into great admirers of capitalism: they find the manifestations of inequality still too shocking. It does not even lead them to reject Communist Party rule for their own country. But it does give them a privileged insight into the forms and processes of democracy now being demanded in Peking. They have seen for themselves how the will of the people can be mobilised to rule the rulers.

Watching the daily drama in Tiananmen Square and its exposure of a weak, remote and incestuous government has made them anxious to return and play a bigger role than the one they had first imagined for themselves.

That was certainly the mood of four academic high-flyers I met at Imperial College, London, this week.

Guo Weiqing, a 26-year-old chemistry graduate from Xian, said his ambition when he left in 1985 was to become a lecturer or professor in order to contribute to China's modernisation. "But when I actually came here I realised that if we want to change things we need something more than a lot of teachers, scientists and technologists: *a change in the* social structure and the political structure. The Party must be made accountable to the law.

"I am not sure now what job I will do, but I will definitely go back."

Shen Ning, 29, is a physicist with a political acuity unusual in a research scientist. He took time off from his laser experiments on atomic structure to organise this week's London demonstration in sympathy with the Peking students. One of the first to benefit from Deng Xiaoping's "open door" policy, he has been in London for 10 years.

Despite his long absence, events have made a big impact on him and he suspects that a political rather than scientific career awaits him at home – assuming, as he says, the students are not "smashed out" by the military and he can return without risking arrest.

"I don't have a clear picture of what I can do when I go back there. But I realise that politics has the real role behind everything. Politics is of paramount importance."

Shen sees the extraordinary protest in China as a revolt against a 1,000-year-old imperial succession and the inevitable corruption that prolonged power brings. Leaders like Deng Xiaoping, China's 84-year-old reformer, and the revolutionary hero Mao Zedong before him, emerge as popular and inspiring leaders. But there is no way of despatching them when their time is past.

"It doesn't matter if leaders make mistakes," Shen said, "provided there is someone to tell them to go." The removal *of Deng and the hard-line* prime minister, Li Peng, and their replacement by other

Shen Ning: "Politics has the real role . . . politics is of paramount importance" Tony Andrews

bosses would not satisfy the students. Even a Gorbachev (a hero to many of the Chinese demonstrators) might turn one day into another Stalin.

His British experience has led Shen to deduce that the right of public dissent, all the way up to Cabinet level, brings great stability. But it exacts a price, too, in impeding progress. *"The most striking thing* here is that the system changes very slowly, if at all. The disadvantage is that Britain's development is very slow, perhaps even compared with the rest of Europe."

Two of the academics ("student" has quite the wrong ring to it) said that they had become more nationalist during their time in the West, as well as more ambitious for China.

One of them is Zhang Ming, from Shanxi province, a 38-year-old geology lecturer old enough to have been a Red Guard at his secondary school. In his luggage he brought samples of volcanic rock whose properties he could not test on the equipment available to him in China. Zhang thinks Britain has successfully implemented parts of the Communist Manifesto but he is distressed by the inequality of wealth between countries.

The same reaction was expressed by Yu Jiping, 26, an engineer studying management science from Chongqing and Peking. Like the others, he was anxious to explain that the students' demands were not only popular – the vocal expression of a countrywide feeling – but also politically realistic.

This, they said, is not the kind of student movement we understand in the West, nothing like Paris in 1968 or the British campus demonstrations at the same period. The people in Tiananmen Square, among them some of the best brains in China and the sons and daughters of the best-connected families, were engaged in a specific campaign against the abuse of Party power, and for the people's right to frame public policy.

"They are not just student idealists," said Shen, "like here, where students don't quite know what they mean. You have to have a workable mechanism before you shout your slogans."

Nor, as some western commentators have portrayed it, is the struggle in China a contest between ascendant capitalism and dying Communism. "It's *difficult for people in the West* who have never lived in a Communist country to understand," said Yu.

Most Chinese have read little or no Marx, Shen said. They did not care what name their system went under. It was the performance of the Government and the prevention of corruption that concerned them. "People have been saying for the last five or 10 years that China is going capitalist. But the word 'capitalist' doesn't make the changes more attractive."

Over the last few weeks, the private thoughts of China's young elite have become public knowledge. Whether expressed over loudhailers in the centre of Peking or in the common rooms of western universities, they are the thoughts of people who may one day themselves emerge as China's rulers.

Fishing

High hopes of a clean catch

***Tom Fort** explains why we must keep an eye on Lord Crickhowell*

IT MUST be pleasant to be the owner of an old mill on a swift, clear, Welsh mountain stream. And twice blessed is that man if he is an angler, now that the trout fishing season is in its spring glory. So, all in all, *there is good reason to feel* a gentle envy towards Lord Crickhowell, the former Welsh Secretary Nicholas Edwards, in his mill on the River Grwyney.

But our eye should be on Lord Crickhowell for another reason. He is important to fishermen. Should he succeed in the great enterprise on which he is about to embark, he will be honoured. Should he fail, even if the fault is not his, he will be reviled.

For he is to be the chairman of the National Rivers Authority, the creation of which is a central feature of the privatisation of the water industry. The care of our waterways is to be placed in the hands of the NRA and its 6,500 staff. It is to be, we are assured, the engine of war against the polluters.

This governmental solicitude towards our rivers is of fairly recent origin, replacing an attitude of contemptuous ignorance. From the industrial revolution to the present green revolution, the view in Whitehall and Westminster has been that, if the rivers must be poisoned to make us prosperous, it is a price well worth paying.

Now, however, the climate is changing, in more ways than one. Plundering the environment is out. Loving care is in. Hence the birth of the NRA and the part-time appointment, at £40,000 a year, of Lord Crickhowell.

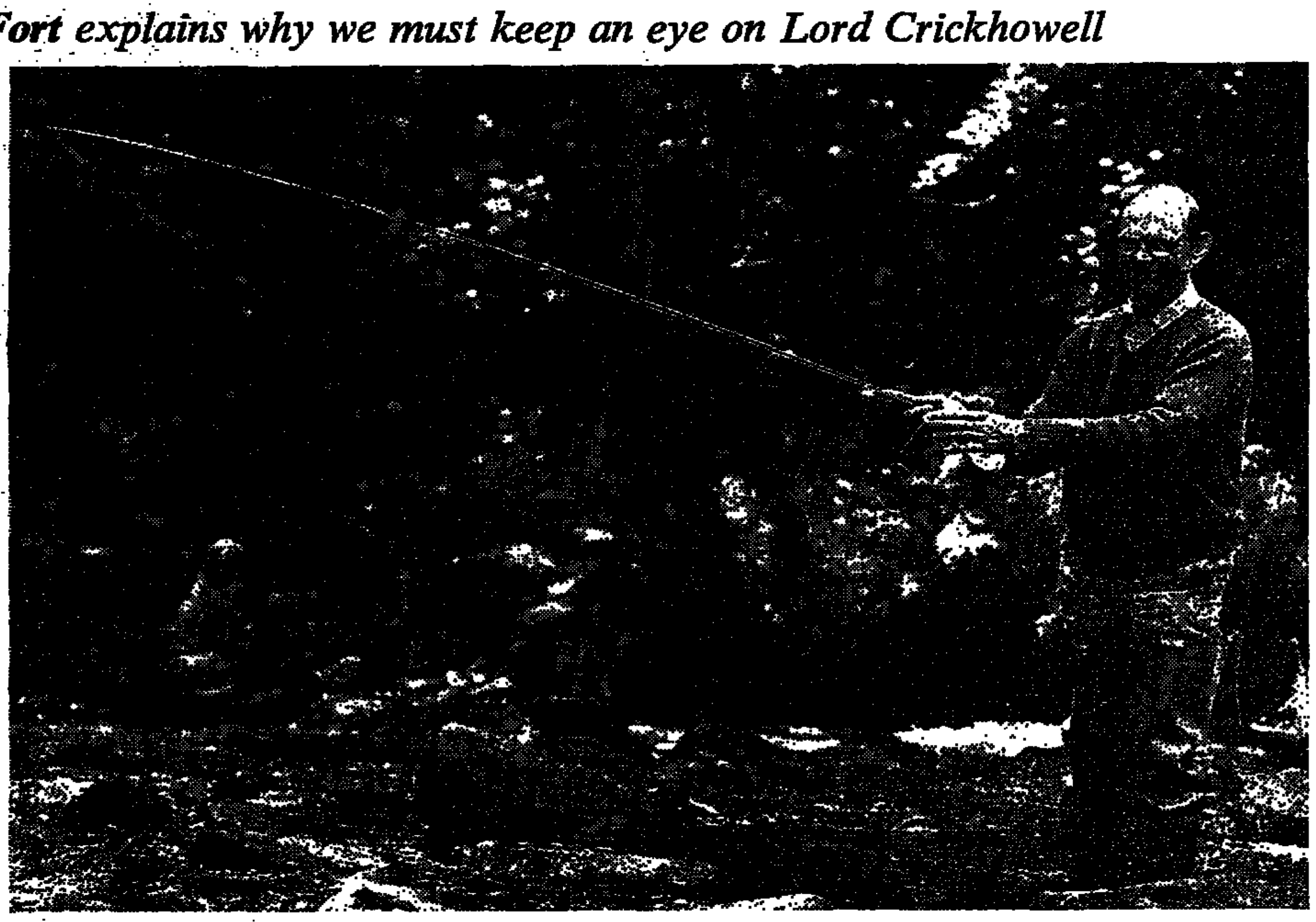
I went to see him, not, alas, beside his Welsh stream, but in his ninth floor office on the Albert Embankment, a long cast away from the turbid waters of the Thames. Actually, the NRA does not yet exist, since the bill setting it up is still inching its way through a sceptical Parliament. But, barring what would be *the* U-turn of all U-turns, it *should be operating by* September.

Crickhowell is clear on the NRA's primary task: "The pollution issue is the greatest single challenge facing us. We have to tackle it, to raise the quality of our rivers significantly, and to sustain that level."

The concept of a National Rivers Authority has been welcomed, broadly speaking — if only because of the farcical nature of the present arrangements. Hitherto the task of setting and enforcing water quality standards and prosecuting the lawbreakers has been up to the water authorities. Since they themselves are among the most persistent polluters, there has been — to put it mildly — something of a conflict of interest.

An extreme case to illustrate this occurred on the River Loddon, a Thames tributary on which I learned my fishing. The inadequacy of the sewage treatment works at Wargrave, in Berkshire, turned the lower stretch of this stream into a waste pipe for untreated filth.

The Thames Water



Lord Crickhowell: "The pollution issue is the greatest single challenge facing us"

Authority, although apparently happy to dedicate precious funds to the useless publicity exercise of stocking the Thames with salmon, would not, or could not, rectify the situation. Nor, oddly enough, would it prosecute itself.

Eventually, the villagers of Wargrave took the TWA to court, and won. The authority was fined, and promised to try to do better.

Anything would be better than this nonsense. But two great questions remain about the NRA? Will it have the will to take on the polluters? And will it have the money?

Lord Crickhowell expresses great *determination*. "Our object will be to raise standards, rather than to prosecute," he said. "But I have no doubt that we will be more inclined to use the weapon of prosecution than our predecessors."

He is also happy with the initial funding, amounting to £70m in grant and £220m from charges. But he has a warning:

"People must recognise that if they want an effective NRA, *they will have to pay for it*. There must be no disguising this. There must be effective policing of our waters, and this will be very expensive."

And who will pay? Crickhowell wants as little dependence on the Exchequer as possible. That means charging those who abstract water, those who discharge into it, those who get their fun on it or in it. And it should mean, first and foremost, that the polluter is properly clobbered, and pays for the destruction caused.

Fishermen must pay their share, of course, and they will be happy *to do so, if the* promises they have been given are fulfilled. For myself, I am ready to give the NRA a chance. It offers the hope of something better than the existing mess, and I am a little reassured by the thought of Lord Crickhowell, stooping rod in hand over the sparkling waters of the Grwyney.

But cynicism, scepticism and vigilance must be the orders of the day. Lord Crickhowell will, no doubt, fight for his corner. However, it must not be forgotten that the Government's first priority is to get the best possible price for the assets of the water industry. No one, certainly not the environment's newest friend, Nicholas Ridley, can talk away the potential conflict between that, and the *oft-repeated commitment to* higher water quality.

Fishermen have a clear duty. If they are not already members of the Anglers Cooperative Association, they should join at once. The ACA has remained a scourge of the polluters, with scores of successful prosecutions. Only lack of funds has held it back. Its address is 23 Castlegate, Grantham, Lincolnshire, NG31 6SW, and the annual subscription is £5 a year.

Tom Fort

Inside the real Revolution

***William St Clair** on British aspects of a French cataclysm*

BASTILLE DAY is always a holiday in France. Even in a normal year you can join the cars driving round Paris or take part in dancing in the streets.

In the bicentenary of the French Revolution the celebrations will be more prolonged. The printed programme available from the French National Tourist Office lists dozens of *events from* January to December in towns and cities all over France. On July 14 the President of the Republic will entertain the world's leaders.

In Britain, the South Bank Centre in London is presenting a series of readings, *talks* and discussions. They cover not only the *ideas* of the Revolution as seen at the time, but the continuing tradition of contemporary French philosophy. There are still a few events to come in June.

At the British Museum, an exhibition entitled Shadow of the Guillotine claims to explain the impact of the Revolution in Britain in visual terms. It runs until September 10, entrance £2. You can see waxworks of the heads of some of the revolutionary leaders, such as Robespierre, made from the original mould which Madame Tussaud took from the life – or rather from the death. There are satirical *prints, medallions,* inscribed jugs and other fascinating con*temporary materials seldom* exhibited.

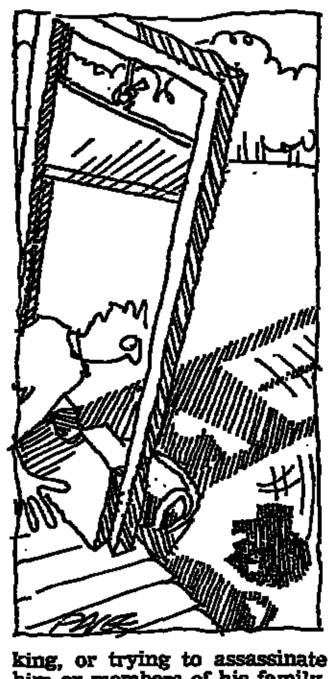
But if the exhibition succeeds as a spectacle, it is unsatisfactory as an explanation. There is scant attention to the ideas and ideals which made the Revolution so attractive all over Europe. You would not guess from this display that *The Rights of Man*, despite attempts to suppress it, probably sold more copies than any book previously published in England. The exhibition is mainly a celebration of anti-reform propaganda.

One reason why the French Revolution was so terrifying was the speed and completeness of its first success. The military fortress of the Bastille was captured by the civilian crowd. Within a few weeks the ancient government of the greatest power in Europe was blown away. Philosophers had *proclaimed* that a nation has only to decide to be free in order to become so, and to everyone's surprise it seemed that they had been right.

But if revolution could happen so easily in France, it *could also happen in England.* As demands mounted for reform of the more glaring *abuses of hereditary privilege,* the British Government's response was to clamp down even tighter. It had been among the boasted liberties of Englishmen before the revolution that they could not be imprisoned without trial. But the jails of Britain soon became new Bastilles as the original was being torn down in Paris.

In 1794 the papers of the Reform Society were seized and, although they showed no evidence of violence, the leaders were charged under the Treason Act of 1351. Fearful of a popular movement which might repeat the triumphs of France, the Government was determined to get its retaliation in first. Recently discovered secret papers report the attorney general of the day assuring his ministerial colleagues that if a conviction could be secured against *one* of the accused, "he would undertake to hang him." Hundreds of warrants were prepared and signed in hopes that a conviction would allow the round up and execution of all the Gov*ernment's leading opponents.*

In law, high treason is defined as making war on the



king, or trying to assassinate him or members of his family. After many days of argument, *a brave jury declined to extend* the coverage of high treason to include peaceful protest and demands for parliamentary reform.

It was probably that decision more than any other which saved Britain *from violence.* One of the glories of the British Museum exhibition is a sketch of Thomas Holcroft and William Godwin as they faced the crisis of their lives. It was drawn illegally by Sir Thomas Lawrence in the courtroom.

But if Britain narrowly escaped the cycle of internal violence, it embarked on a war that did not end until 1815. Right to the end there were many who believed that Britain was on the wrong side. Even after the victory at Waterloo brought a century of *commercial dominance, it did* not turn back the Revolution. Within a couple of generations most of the features of the reconstructed old order had been swept away, this time for ever.

All over Europe it was again proved that ideas cannot be held back by censorship, by enforced conformity, and by the police. As Richard Nixon said, "once the toothpaste is out of the tube it is a helluva difficulty to get it back in again."

In Victorian times most of the reforms that the Government had resisted with such passion were carried into law and were soon accepted and defended by all parties as fundamental features of the British way of life. Few of the leaders who will assemble in Paris this year would have approved of the French Revolution at the time, but they are all, *fortunately,* now committed to conserving its results.

Food for thought

Herbs in May

IT IS impossible for me not to come over all seasonal again in May. There are points in the year when any desire to be seasonal is lost in a welter of leathery greens, unsmiling roots and carefully hoarded bits of sausage, but in May the season comes romping in the door, garlanded with English asparagus and Jersey Royal potatoes, bearing a fresh sea trout and a leg of spring lamb. It is a time of year when the question of what to serve simply does not arise, because nature writes the menu.

I for one do not live on asparagus and sea trout even in May, but prodigal *old nature* gives me the other good thing I crave – a window-sill full of fresh herbs. Over the years this column has come to reflect my whinging self-pity at living in an inner-city flat where I cannot even have window-boxes, because the windows are the wrong kind. My wife has the green fingers, so it is even more frustrating for her.

What we have achieved over the years is a row of herbs growing on the inside window-sill (even in London, a second-floor flat can get a lot of sunshine). This tiny *amount of gardening* is the minimum. There are some culinary herbs which are quite satisfactory dried – although even here you have to throw them away and start again fairly often if everything is not to taste of the tomb – but tarragon, basil, chervil and chives must be growing and to hand.

Parsley too, I like to have around, although sometimes one wants such large amounts of parsley that a window-pot will not do. Then it is round to the supermarket for a really good big bunch. I like to keep some growing on the sill nonetheless, *because it is there* when I want it on the spur of the moment.

Everyone should have a pot of basil growing in such sunshine as there may be this time of the year. Apart from what a few leaves can do to a dish of tomatoes, you have only to brush into the little bush to release the most heavenly scent. You can buy little basil plants at many greengrocers but we grow them from seed, which is much cheaper.

Tarragon is a herb that no one should be without in the summer months. People get *themselves into great* difficulties trying to put its unique flavour into words. "Lemony-aniseedy," says Jeremy Round, usually such a model of precision and accuracy, in the *Independent Cook*. I cannot accuse him of being too fanciful, because I think it tastes faintly like raw, unsmoked pipe tobacco. Eaten raw like lettuce, tarragon has a quite different flavour from the one that it imparts to a chicken. For some reason tarragon cannot be grown from seed but quite a lot of shops such as Wholefood and Justin de Blank will sell you a little *tarragon plant in a pot.*

Everybody knows that it is basil with tomatoes and tarragon with chicken but chervil, which I would find it very hard to do without, has no such natural partner. I can think of no other herb which is so pleasant to eat on its own. I have never made a chervil sandwich, but I really do not see why not. It is as fresh and invigorating as cold water. But *to get it at its best it must go* more or less straight from growing plant to mouth. If you have its little sprigs sprinkled over vegetables, salad or eggs they should be cut and sprinkled over at the last possible moment. Fortunately the leaves are so pretty and miniature that a lot of chopping is a waste of time – on a salad it is very good left on the branch.

The chives you grow yourself really are better than the bought kind because they are generally finer and more grass-like, which is how they really ought to be. Too often shop-bought chives are bigger; tubes rather than grass and halfway to being spring onions, which is not the point of chives at all.

Tarragon, chervil and chives all come together as *"fines herbes,"* and an *"omelette fines herbes," simple as it is, suffers* greatly if any one of the three is withdrawn or forgotten. So there are chives on my window-sill too.

It is not too late to plant your window-sill herbs now if you hurry.

Peter Lewis

Stars shine in Chelsea's heat

Robin Lane Fox looks beyond the main show exhibits and concludes that small is best

THE HOT weather troubled the peonies; there was not a sign of an unvarnished, non-white plant box; somebody was actually showing woad. Nonetheless, there were things at Chelsea Flower Show which were outstanding and I rated it higher than the previous two years. Admittedly, the tent was so warm that the scent was wafting to and fro from Ken Muir's strawberries until even the stiff beds of stocks from Slough Corporation seemed rather mouth-watering.

Among the main exhibitors, Peter Beals had managed to show old-fashioned roses so that they did not droop unduly in the hot weather. It must be years since Chelsea saw the climbing white rose Madeleine Selzer and the pink moss rose Louis Leveque looking quite so unruffled. They put the new roses to shame.

I particularly appreciated the display by Goldbrook Plants, of Hoxne, Eye, Suffolk. It staged a wonderful range of hostas and refuted the snobs who feel that this family has been over-publicised. The nursery's list is a connoisseur's dream and the owner is as keen on the species varieties as on the many hybrids. When I saw her, she was worrying that London tap-water might make lime-marks on the leaves of her best plants.

None of the big stands could compete with the charm of the two small ones, my particular stars for the year. As non-gardeners appear to think that keen gardeners are slightly potty, they may draw the wrong conclusion from my view that the most delightful show of plants from seed was put on by Peper Harow, a residential home for disturbed and delinquent adolescents. The place is a charitable concern in Godalming, Surrey, which says that "deprivation and cruelty have taught our residents that they are worthless: our grounds and gardens try to counter this feeling by rich displays of colour and flower beds and attention to detail everywhere." It makes me feel much better about my weekend priorities as a parent.

Anyone who looked at their array of hanging baskets could only agree with them. The colours were beautifully mixed, pale lilac daisies with pink impatiens, a striped verbena, rich ruby-red petunias and the clear yellow of the easy, but ignored, Bidens. Baskets of soft pink Diascia Vigilis were hanging on the edges of some none-too-special concrete walls and paving.

The hanging basket is abused in so many towns and "civic centres", where crudely striped geraniums and bright lobelia fight for supremacy. I can think of quite a few parks gardeners who could usefully be seconded to learn Peper Harow's admirable lessons.

Much of the centre's main building was destroyed by fire in February, but they are housing their children as best they can. Gardening sets a mood, spreads hope, and takes us out of ourselves. It was a treat to hear and see this truth; I wish that hospitals, let alone company headquarters, could realise the same point so clearly.

My other star lay outside the Main Tent. Year after year I have lamented the style of the outdoor gardens at Chelsea, but this year they did seem to be a better bunch. Unfortunately they were overshadowed by the best single garden I have ever seen at the show: the rock garden at the awkward end of the Bank, planted by the Alpine Garden Society for their 60th anniversary.

No consultant, landscaper or architect has been allowed near it. The society's secretary, Michael Upward, pulled it together with help from Joy Hulme and Mrs K Dryden, doyenne of the society's growers, who had had special licence with the woodland plants. The entire exhibit refuted the view that fine alpine plants can only grow in ugly rockeries. The colours ran charmingly from pinks back to whites and yellows, the rise and width of the steps were perfectly judged, there was a waterfall which did not gush and there were no lights, lions' heads or irrelevant spouts.

The gravel was the right colour for the rocks and the mulch was discreet, not an overload of chopped bark. The only "features" were handsome *sinks and troughs, some of* which had been cunningly let in to the bottom of the bank.

It was such a huge relief. After so many years' frustration, here was a garden which looked like the gardens we know and can imagine ourselves producing. It had been planned for at least two years; the society had been choosing the rocks since 1987. It invited members to send plants, most of which turned out to be unusable. It had earmarked the collection of sinks from a late member in Sussex. Some had been cleverly faked with the *society's recipe for a coating* which looks like weathered stone. Rare plants had been carted to London in car-boots from as far as Scotland.

There were superb white ramondas, rare cypripedium orchids, remarkable calceolarias, star and trumpet gentians, and little mats of starry blue Pratia which were under control. Many of these plants would have won awards if they had been shown in the Main Tent. There were such riches, from a sink filled with white and primrose yellow sprays of saxifrage to a group of tumbling Genista Lydia, and back through white primulas to the satiny flowers on some very special Oxalis.

The budget for this garden was fixed at a maximum of £4,000. The figure may make the PR departments of other Chelsea layouts wonder where sums 10 times that size have disappeared. Perhaps they should contact Michael Upward. He and his members have been toning down hand-picked tufa rock by soaking it in chicken manure for two years. Why buy plants when there are growers and gardeners who will lend them and show them in a much greater range than can be shipped at short notice from Holland?

When the society wanted garden steps, it decided on old railway sleepers, a trick which keen gardeners often use. Which? magazine keeps a check-list of station depots which still have sleepers for sale. Up the centre and sides of this charming garden ran sleeper-steps from Upward's local station at Woking. Spare a kind commuting thought for this garden when the trains next start to behave as if a section of track is missing from the timetable. It was a marvellous achievement, and will go down in the tradition of great Chelsea.

Getting it right: The Alpine Garden Society marked its 60th anniversary with this superb exhibit at the Chelsea Show

Bad design hits the rocks

I HAVE just seen in a garden centre a demonstration rock garden so extravagantly horrible that it seems time to say something about the proper construction of rock gardens – if indeed they are considered necessary at all.

I make that reservation because most rock plants succeed just as well, and sometimes better, in raised beds and walls built with soil instead of mortar. I am prepared to admit, however, that a well-made and well-planted rock garden can be uniquely beautiful.

The correct way to build a rock garden is to use plenty of soil, with only just enough rock to create the illusion of a natural outcrop. Bed most of the stones well into the soil so that they appear to have been exposed by natural erosion. The best preparation for rock *garden building is a drive or a* walk through any part of Britain where rock has been so exposed. It does not have to be a mountain region, since beautiful natural outcrops are be found at any level and formed from any stone, stratified or otherwise.

The only stone that should not be used in Britain is limestone pavement, yet this was precisely the one chosen by the misguided gardener who had constructed the garden centre example I so much disliked.

There are two good reasons why it should not be used: one aesthetic, the other conservationist. The latter is far more important than the former. Limestone pavement only occurs in a few places in Britain, and in small quantities. What there is has been ruthlessly plundered for the last hundred years, ever since "natural" rock garden making became fashionable.

It is stone that has been deeply and intricately furrowed and gouged by centuries of exposure to the elements and it has nurtured its own unique flora and fauna. Because it is so elaborately weathered and almost white, it looks entirely out of place in almost all gardens that are not in similar limestone areas. It is altogether too conspicuous and alien to be satisfactory except, maybe, in show gardens made in exhibitions.

I suppose that was what the misguided garden centre contractor had tried to do. However, he had completely failed to understand how limestone pavement exists in the wild. For the most part it lies flat or in broad shallow steps, although sometimes, where the strata is thick and solid, it emerges in much larger crags. What it never does is to pile itself, small block upon small block, one above the other, as if forming a wall. This was precisely what had been done in this demonstration garden.

To get that garden anything near tolerable in appearance it would be necessary to dismantle it completely, discard at least 75 per cent of the rock, retaining only the largest blocks, and then to create a shallow, irregular bank of soil. Starting at the foot of this, holes would be dug so that stones could be partially covered and so appear to be part of a natural stratification.

At the outset, a decision should be made at what angle *that stratification should be.* Once determined, every other rock in the formation should follow the same angle.

It could be steep or shallow, according to the effect desired. A steep angle is more dramatic but provides less scope for planting than a shallow angle. The latter makes it possible to leave considerable areas of soil between one level of stone and the next and clothe these with big drifts of plants.

It is not only unnecessary to use scarce stone, such as the Cumbrian weather and waterworn limestone, but is also unduly expensive. The best and cheapest rock is usually the one that can be found nearest to home, since it is the one that is most likely to look natural if it is well placed. Yet even with the simplest sandstones it is possible to go completely wrong by failing to observe how the stones lay before they were quarried.

There is an urge to make the most of each stone by standing *it on end and losing very little* of it in the soil. This is a false economy, and the result can look like a dog cemetery.

It is impossible to make rock plants look right in that kind of setting. They need almost flat pockets of soil over which they can spread, vertical rock faces over which to tumble and crevices between rocks in which those plants which need the sharpest drainage can feel entirely content.

The final skill lies in giving coherence to the whole composition, and that requires a personal involvement and a receptive eye which cannot be transmitted in writing. The good rock garden builder is an artist, and was probably born with that talent.

Arthur Hellyer

Well dressed for winter or summer: Danny Gillman in Goretex jacket, Yeti gaiters and Scarpa Manta boots

The cloth for all seasons

***Peter Gillman** on the best way for walkers to stay dry*

BEINN TULAICHEAN, in the Southern Highlands, may not be among the most renowned of Scotland's peaks, but on the morning we approached it last February it certainly appeared one of the most intimidating. A hurricane had swept through Scotland the previous day, damaging houses and blocking roads. Tulaichean seemed to glare down at us, the clouds that boiled around its icy summit warning: "Stay away."

We had chosen our route so that we were climbing in the lee of the prevailing westerly gales. The wind found us nonetheless, numbing our cheeks and driving freezing rain into our eyes, and we had to scuttle between gusts to the summit cairn.

But as we supped stout in the welcoming ambience of the Kingshouse Hotel near Lochearnhead that evening, we judged that we had been well within our safety margins. We felt reasonably fit, had allowed plenty of time, and had been suitably clothed and equipped. For that we thanked, above all, Goretex.

It was two years ago that I discovered how valuable Goretex can be. Properly rendered as Gore-Tex, it is the proprietory name of a remarkable fabric whose unique quality – at least until the recent arrival of competitors – is that it is breathable.

Before Goretex I had suffered the perpetual dilemma of climbers and walkers in the wet, not only in winter but also in the kind of weather we are currently enjoying. If you leave off your anorak the rain soaks you from the outside. If you put it on – especially during a summer storm – you are drenched from the inside with sweat.

What was needed was a fabric which would keep out the rain while allowing the sweat to evaporate, and a US company named W.L. Gore duly obliged.

Bill Gore was a manufacturer of electronic wire insulated with a substance known as PTFE or teflon, as used in non-stick saucepans. His son Bob discovered that, when stretched, PTFE was porous. What was more, the pores were just large enough to allow sweat molecules to pass through, while blocking larger rainwater droplets.

After working out how to bond PTFE to traditional textiles, the company began producing outdoor clothing in the mid-1970s. My initiation came when I traversed the Five Sisters of Kintail, the magnificent ridge above Glen Shiel, in 1987. The day began perfectly but, true to form, a Highland rainstorm hit us between the fourth and fifth Sisters. My son Danny, who was wearing a conventional nylon anorak, was soaked, while I – in *brand-new Goretex anorak* – remained impressively dry.

It was not until I visited the Pindisports equipment shop in Holborn last year that I appreciated Goretex to the full. Until then I had merely worn Goretex over the usual rag-bag of clothing – tee-shirts, shirts and pullovers – but this, store manager Ray Scott explained, was wrong. The full value of Goretex comes only with what Scott terms the three-layer system.

The innermost layer consists of vest and longjohns which possess the quality known as "wicking," meaning that they draw moisture away from the skin. Helly Hansen make the best known version from the artificial fibre polypropylene, but they now face tough competition from US firms like Patagonia, which use a proprietory fibre known as Capilene. The second, middle, layer should consist of a warm upper garment like a Helly Hansen zip-up jacket, made of fibre-pile, or the Patagonia version, from Synchilla, with a good pair of trousers or breeches. The third and outermost layer is Goretex, both for anorak and overtrousers.

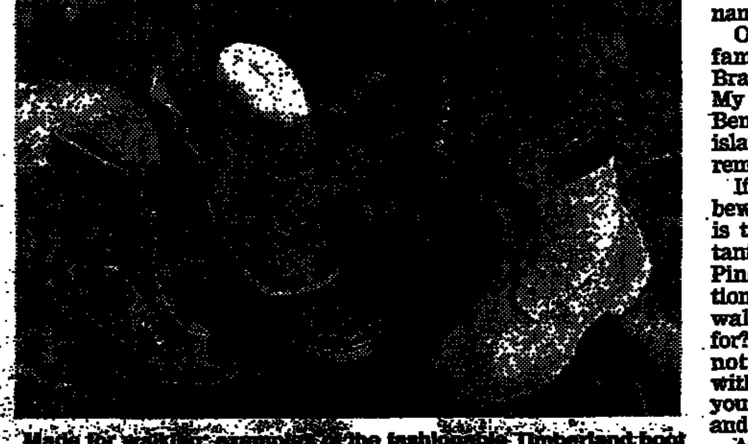
When Danny and I put the system to the test last winter we were astounded at how secure we felt in wind and cold that would previously have sent us scurrying for shelter. It was that experience which gave us the confidence to tackle Beinn Tulaichean in such unpropitious circumstances.

Having proved the system in the Scottish winter, I swear by it in the summer too. I recently wore the Patagonia vest for a blustery walk on the Wiltshire Downs, put on my Goretex anorak when it rained, and stayed dry and comfortable throughout. In the Highlands I will always carry all three layers on safety grounds, even if I end up wearing only one.

As for price, the first layer costs between £13.50 and £20 for vest and longjohns respectively. The middle jackets cost from £45 to £85. Goretex jackets range from £90 to £185, trousers from £60 to £105.

Much of the clothing has the advantage of being highly presentable off the mountain, in the manner of apres-ski wear, although I would offer a caveat here. In windy but dry weather last year we felt comfortable in the lighter-weight items, of which North Face make some of the most stylish. In conditions like those on Tulaichean the heavier versions proved more resilient, with Phoenix's Amethyst jacket, which includes a zip-out inner lining, and its Crystal TX jacket and over-trousers, particularly impressive.

The success of Goretex has inspired other manufacturers to devise similar fabrics. These include Sympatex, which filters out vapour via the fabric's molecular structure, and Versatech, which "breathes" through a close-knit weave. The British mountaineer John Barry is a strong advocate of



Made for walking: examples of the fashionable Timberland boot

Sympatex clothing, made by Karrimor, but Goretex remains pre-eminent in the field.

The Goretex story has parallels in other areas of outdoor equipment, particularly boots. Twenty years ago new boots usually gave you sore feet and blisters the first time you wore them. Today's boots are far more malleable and forgiving. The tough "anfibio" leather of old, obtained from mature bulls, has been replaced by softer calf-leather, and other design improvements have made boots generally lighter and more waterproof.

Which boots you select depends above all on the scale of walking you intend them for. Scarpa and Zamberlan, the Italian manufacturers who between them sell more boots in Britain than anyone else, both make models which I have found ideal for conditions ranging from summer walking to the Scottish winter, though stopping short of ice-climbing. The Scarpa Manta costs £89.95, the Zamberlan Mountain Lite £109.95.

Summer walkers will find a plethora of models to choose from. On anything but the easiest ground you need *substantial* ankle support and ridged or patterned soles to ensure a good grip. Pindisports say that their best-selling boot is the Zamberlan Trek Lite, which Scott describes as "ideal at the light end of the market," namely for summer walkers who might also spend a week in the Lake District. At £79.95 they are at roughly mid-point in the range.

Other models range from £30 to over £100. For about £40 you can buy a pair of Hi-Tec Trail boots, which are suitable for light summer walking but may not withstand a drenching and are likely to have a shorter life. For about £110 you can have a pair of Timberland Hikers which may only justify their cost if you prefer a fashionable name.

One of the best pairs, in my family's experience, is the Brasher Hillmaster, at £69.95. My wife wore them to climb Ben More, the Munro on the island of Mull, and found them remarkably wearer-friendly.

If you find the array of boots bewildering, the best solution is to find a sympathetic assistant in a good retail store like Pindisports. Their first question should be: "What kind of walking do you need them for?" My guiding principle is not to economise, whether with anoraks or boots, since you are buying both comfort and safety.

Among other walking equipment on the market, it is worth considering Yeti gaiters. Unlike the old gaiters which covered just your ankles and calves, the Yetis envelop the entire boot and make them virtually watertight. They are indispensible in the winter and *invaluable* anywhere it is likely to be wet. Manufactured by Berghaus, some models are designed to fit Scarpa boots, while others are interchangeable. Prices range from £25 to £55.

I have also come across a remarkable pair of gloves, the Caravan, which have authentic "wicking" qualities. I have worn them on long winter walks and my hands have remained dry and warm. At £3.95 they are a bargain.

Finally, and as a footnote to my recent article about the Ordnance Survey, I recommend the OS's new "Mountainmaster" maps. Responding to the complaints of walkers that their maps disintegrate in the rain, the Ordnance Survey has produced a waterproof 1:25,000 map of the Ben Nevis range at £5.25. Having tested it in a blizzard in March I can vouchsafe that it works.

HOW TO SPEND IT

Lucia van der Post on plans for a famous footwear house, a sporty new men's shop and rose-scented soap — at £150 for two bars

Ferragamo dips a toe in the fickle waters of fashion

THEY SAY you can tell a lady by her shoes. If that be true then they don't come much more ladylike than those who wear shoes by Ferragamo. And that for Ferragamo is something to ponder, for ladylikeness is not much in vogue at present.

The very awesomeness of the Ferragamo label is at once and the same time its badge of honour, its entrée to the heady luxury goods market and a barrier between it and the more adventurous world of the young and up-to-the-minute.

How to bridge the two, to keep the comfort, the quality, the integrity and yet capture the eye, interest and pockets of the young and zippy is the challenge. How, too, to transform a respected company known mostly for shoes into an internationally recognised complete "house" is currently furrowing brows in the Ferragamo headquarters in Florence's via Tornabuoni.

Not that as challenges go they could be said to be anything other than exhilarating. Ferragamo must be one of the most delightful companies in the world to run.

Based in the magnificent Palazzo Feroni in Florence, it is still entirely family-controlled. Led by the redoubtable Wanda, widow of the much-loved Salvatore Ferragamo, who from his small village east of Naples turned his love of the cobbler's art into a worldwide empire, each and every division is in the loving care of one or other of the six Ferragamo children.

Business is booming. In the ten years between 1978 and 1988 turnover increased from $10m to $100m, and for 1989 Signora Wanda Ferragamo estimates that it will increase by another 30 per cent to $140m. It is, by any standard, a huge success story.

And yet, and yet . . . in the Palazzo Feroni one senses that there is much mulling over the future. Salvatore was an innovator. He was obsessed with comfort. Comfort is what Salvatore worked backbreaking hours to solve and what brought the rich and famous to his shops.

He was also the inventor of the wedge, the pioneer of perfect fitting. As the eldest daughter, Fiamma, the Marchesa di San Giuliano, who is in charge of the shoe operation, puts it: "Other people's shoes may look prettier on the shelves, but *ours are designed to look much prettier on the foot.*" He was always pushing forward the barriers, coming up with ideas and designs that were revolutionary in their time. Where are the revolutionary ideas coming from today?

They are looking for ways of combining the comfort and the fit – Ferragamo still today offers every shoe in many sizes and widths up to 5 AAAs – with fashion. A start was made back in 1978 when a design called Vara, which featured a gilt and grosgrain bow, was rather tentatively offered as a style to please the young. It has since become an all-time classic and is the first grown-up shoe the chic young Florentine steps out in. For this coming winter there is a whole new range of desirable pumps that should become new classics for the young, in dark delicious colours, some with bows, some with pompoms, some without.

Much fun and adventure is being injected into the house with the accessories. Here Fulvia, the daughter who looks after this division, takes some of the classic Ferragamo symbols and uses them in new, surprising ways. The scarf, bedecked with some of Salvatore's most outrageous shoe designs, has become a collector's item, selling almost as fast as it appears in the shops. The gilt shoe brooches bring to life a classic jacket; the Vara bow appears on hairbands, on ear-rings, on belts, on handbags. Shoes pop up wittily everywhere.

At the same time the ready-to-wear clothes division is being expanded, and here new classics are emerging every day. Based on separates that can work in many different ways, many of the pieces – for example the grosgrain-trimmed cardigans – have become collectibles, with fans clamouring for them in every different colour.

Sometimes at the Palazzo Feroni they are taken by surprise – whoever would have thought that animal-print tights would be walking out of the shop at 120,000 lira a time? The lesson seems to be that it is possible to combine quality with fun, and La Famiglia Ferragamo are themselves having a lot of fun in learning to do both.

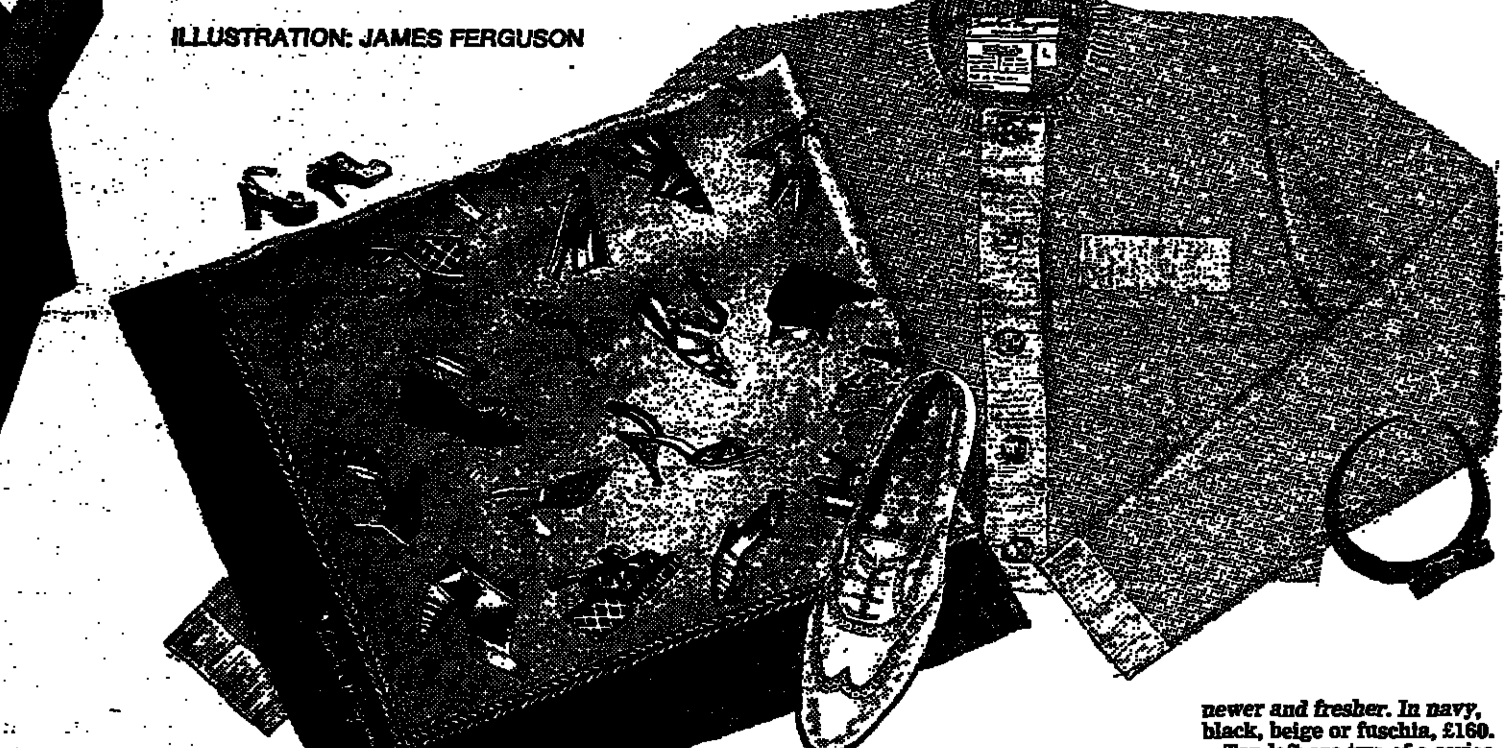
TO THOSE in the know the name of Amagansett brings a whole set of images to mind – weatherboarding, white-whipped waves, cool blues, trim haircuts, penny loafers, clambakes. Those of you who, like me, have never been to this small fishing village on Long Island will just have to take the word of those like Hugh Chambers, who have.

Amagansett for Hugh Chambers stands for an easy, sporty, relaxed way of dressing – nothing too formal, too pompous or too severe. In his eponymous shop, which opens at 201 Kings Road, London SW3 next Friday, you will find all the ingredients for the comfortable weekend wardrobe – cotton cable-knit sweaters in 12 scrumptious colours, flannels and lightweight cotton trousers, cotton shirts with extra deep yokes, easy jackets, pure wool blazers, handmade brogues and penny loafers.

Photographed here, HE is wearing the most formal look on offer – a pure wool double-breasted blazer (£164) with a cotton shirt (£34.50), silk tie (£24) and beige twill trousers (£64).

SHE is wearing one of the cableknit cotton sweaters which come in 12 different colours (£65), teamed with a pair of Levi 501s.

ILLUSTRATION: JAMES FERGUSON



■ Photographed above is the Ferragamo look for this summer – cool, classic, well-bred and, of course, well-heeled. Greige linen longline jacket with a double collar (also in purple and *black*), £320, olive green ribbed cotton skirt, £90. Everything can be found at Salvatore Ferragamo, 24 Old Bond Street, London W1.

■ *CLASSIC* collectibles for the Ferragamo fan. The pure silk scarf at first sight presents itself as a sober classic until you look into it and see the witty drawings of the Ferragamo shoes through the ages. In four different colourways, it costs £89, and is Ferragamo's fastest-selling single item.

The Gama shoe is a typical Ferragamo classic – perfect for wearing with trousers or this season's city shorts. In white leather, sizes 4 - 8, £139.

Ferragamo fans collect the cardigans and jackets which are transformed into *something elegantly formal* with their edging and cuffs of grosgrain. They come in all colours and different shapes; for this summer the shorter spencer cardigan looks *newer and fresher. In navy,* black, beige or fuschia, £160.

Top left are two of a series of gilt shoes – wear them as brooches or collect them to make a charm bracelet, £39 each.

Chic Florentines bring a touch of wit to the headbands by sporting the version topped with the Vara bow borrowed from the hugely successful Vara shoe (£19). Any of the items can be posted for an extra £3.35.

IN BRIEF

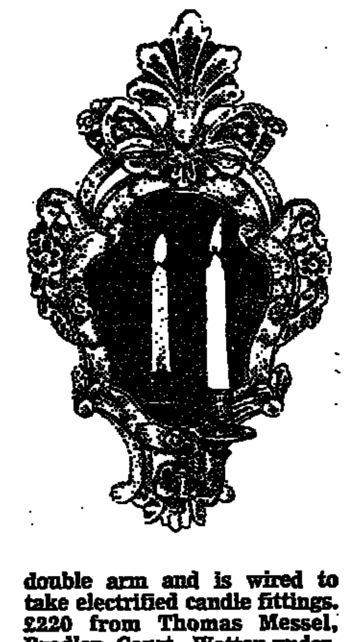
GRAND, classic names are in the news. Anybody interested in the roots and origins of that most famous of all scarves, the Hermès, beloved of the grand, the famous and the royal, should make a point of going to the Hermès exhibition at the Mall Galleries, near Admiralty Arch, London SW1 from June 1 to 5.

Whereas once upon a time the Hermès scarf only adorned the heads of the rich, old-fashioned and the retrograde, today it has become newly popular, with almost every fashion editor in town discreetly building a collection. So go along and see scarves in all their glory, the silk they are made from, the myriad techniques that go into their making.

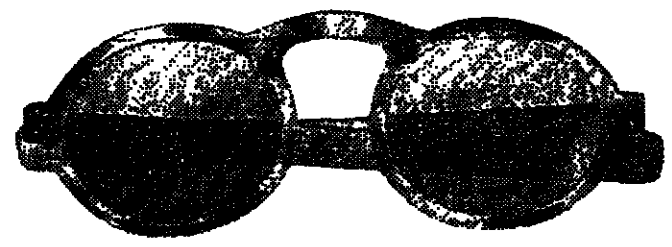
If you've never been very good with scarves and are looking for new and interesting ways to tie them Hermès has a booklet full of suggestions. As the introduction puts it – "When is a scarf not a scarf? When it's a belt, a bustier, a bandeau, a bracelet, a toque, a turban, a shirt, a sarong, a shoulder sac, a pillow sham, a painting . . ." The booklet is free from Hermès shops, or send an sae to Hermès, 155 New Bond Street, London W1Y 9PA.

THOMAS Messel makes the sort of *small* pieces of furniture and decorative accessories that one hopes to come upon in antique shops and seldom does. Though all his pieces are, of course, new, they are mostly made to complement interiors of a rather grand and traditional nature.

Most feature paint effects, some (mainly what he calls a Library Collection of antique leather-bound books which open to reveal ice buckets, photograph frames and matchbox covers) depend upon trompe l'oeil, others have a little gilding. Those looking for wall brackets or candlesticks, tablemats or frames of a sort that are neither aggressively "moderne" nor overly antiqued might find his gentle reproductions fit the bill.



Shown here is what he calls a Girandole – an early 18th century style mirror-come-light, in Venetian Grey finish highlighted with some gilt. The version shown here is designed to take a candle but there is a design which has a double arm and is wired to take electrified candle fittings. £220 from Thomas Messel, Bradley Court, Wotton-under-Edge, Glos GL12 7 PP. (tel 045384-3220).



BLUE eyes need careful protecting from ultra-violet rays and as the ozone layer becomes increasingly damaged greater care needs to be taken. Good sunglasses are essential to protect the retina when skiing or when changing from *our (normally)* grey and temperate climate to the strong sunshine of Africa, India and Asia.

Cheap sunglasses with cheap lenses do not give proper protection, so invest in a pair that not only screen out the dangerous rays but look good at the same time.

Currently the *chic* frame sports a tortoiseshell effect – the pair featured above are made from cellulose acetate, are from the new Giorgio Armani range and can be found in branches of David Clulow Opticians in London, Watford and Bristol for £80 a pair.

TIMED to link up with The *Chelsea Flower Show* and newly on sale at Harrods is the first soap for more than 200 years to be scented with rose oil. Last year seven acres of English roses were culled to produce a single litre of rose oil, which was just enough oil to scent 1,000 bars of soap.

These are what you might call limited edition soaps, but given that they cost £150 for two tablets they might also be collectors' soaps. Those who buy them will certainly be getting more than just soap for their money – the packaging, designed by Peter Windett (the "poet" of graphic design, *according to one commentator* on the scene) is exceptionally pretty, featuring a box in the shape of an old-fashioned library book.

For the moment this may seem a little esoteric for those of us who do not have £150 to spend on two bars of soap, but the techniques developed to extract the rose essence (pioneered by Dr Peter Wilde) should enable us to buy more attractively-priced cosmetics scented with English rose oil very soon. In the meantime Wilde English Rose Soap can be found at Harrods.

THE stock cube, now that few of us have the time to linger *over stockpots, has become* a staple of the modern kitchen, yet how few there are that taste of anything more detectable than monosodium glutamate and flavour enhancers. Enter a stock cube called Just Bouillon, which is guaranteed to contain no additives, no E numbers, no monosodium glutamate. About 60p for a pack of six cubes, beef or chicken, from delicatessens and supermarkets.

Cookery

Coppa: worth its weight in gold

JUST occasionally mistakes can turn out to be very good news indeed. Once, I accidentally left an apple crumble in the oven longer than intended. The curses as I pulled the dish from the oven gave way to quiet satisfaction when we tucked into what turned out to be a more crunchily *delicious crumble* than my normal recipe. (A bit longer cooking was the key to success here; much longer cooking results in burnt offerings.)

Another fortuitous mistake arose recently when, shopping in too great a hurry, I picked up what I thought was a packet of Parma ham. It turned out to be Parma-style coppa, a meat I remember relishing in Italy but had never knowingly come across in a British *supermarket* before. Both products are specialities of the same region but coppa is a very different treat, spicy and more savoury, and in many ways more useful – although if you are aiming to serve *prosciutto e melone* the more subtle taste of Parma ham is preferable.

Coppa, or capocollo as some call it, is boned shoulder of pork, cured with spices, rolled into a fat round and cut into salami-like slices for serving. The Fiorucci brand, which is what my local Waitrose stocks, is labelled as "coppa tipo *Parma,*" a distinction worth making as Roman style coppa (also known as coppa di testa) is a sort of pig's head brawn.

Ever since my chance discovery *of* coppa from Parma in vacuum sealed packets I have been buying it up greedily, and it has become one of my favourite standby larder cupboard items. Like vacuum packed Parma ham it has an enviably long shelf life, but it is is not quite so expensive.

Coppa can be cut into snippets and served with celeriac under a cloak of Hollandaise sauce. The meat can be combined with peppery watercress to make distinguished sandwiches, or used to add the finishing touch to a dish of cold chicken, to serve with cherry tomatoes and other simple salads when the sun lures us out to lunch in the garden.

Above all I think coppa makes a magnificent teammate for pasta. Mix and match the two of them with other store cupboard items, the fresh foods (such as lemons, eggs, parsley and a hunk of Parmesan) that we all try never to run out of, and standard freezer reserves (sticks of frozen double cream, tubs of chicken livers, bags of peas and so on) and you should always be able to conjure up enticing meals at short notice to delight unexpected guests.

Spaghetti with chicken livers & lemon

(serves four to six)

This lusciously rich dish comes from Elizabeth David's *An Omelette & A Glass of Wine* (Penguin). *I use less coppa and* more chicken livers than she specifies because of the weights in which these ingredients are usually sold.

500g or 1lb 2oz spaghetti or tagliatelle; one 70 g packet of coppa; one 8oz tub chicken livers; finely grated zest of one or two lemons; eight tablespoons olive oil; four to five garlic cloves; four eggs; 4½oz Parmesan cheese.

Bring a large pan of salted water to the boil. Put some plates and a deep serving bowl into the oven to heat up. Cut the coppa into snippets and reserve. Chop the livers into *smallish pieces and put them* into a separate bowl. Grate the lemon zest over them, then crush the garlic with salt and stir it in gently.

Grate the Parmesan. Beat the eggs into it, season with salt, plenty of pepper and a little nutmeg if liked. Cook the pasta until al dente. While it is cooking, warm the olive oil and saute the chicken liver

mixture briefly – just two to three minutes - adding the coppa towards the end.

Away from the heat tip the egg and cheese mixture on to the hot, freshly cooked meats. Drain the pasta roughly and turn it quickly into the warmed serving bowl. Add the sauce, toss like a salad to mix well and serve straight away.

Macaroni with mangetout & coppa

(serves four to six)

Pork *meat* and *peas nearly* always go well together and this very savoury mixture makes a pretty dish.

500g or 1lb 2oz macaroni or other pasta shapes; two x 70g packets of coppa; 4oz baby mangetout; 4 to 6oz frozen peas; two tablespoons each butter and plain flour; two to three tablespoons Marsala; 8-9fl oz strong stock; ½ pt thick cream.

Bring a large pan of salted water to the boil. Warm a deep serving bowl and some plates in the oven. Cut the coppa into fine strips. Top and tail the *mangetout and remove the* strings if necessary.

Cook the pasta until al dente. While it cooks make a thin but very savoury sauce *with the butter, flour, Marsala,* stock and cream. Season the sauce generously with salt and pepper and mix in the strips of coppa. Boil the peas and steam the mangetout over them.

When the pasta is cooked, drain it roughly and pile it into the warmed serving bowl. Quickly stir most of the vegetables into the sauce. Pour the sauce over the pasta, toss to mix well and scatter with the rest of the mangetout and peas over the top for a pretty green finish.

■ A couple of weeks ago the new technology printing gremlins got at my feature on celery *and celeriac so that the recipe* for Apple & Celeriac Mousse was almost impossible to follow. Here, then, is the complete recipe, which serves six or more as a first course.

6oz celeriac and 8oz crisp, slightly acid, dessert apple *(grated weight in both cases)*; ¼pt mayonnaise or a little more; ¼pt stock; one x 225 g tub of strained Greek yoghurt; one tablespoon gelatine powder; 8oz cooked and shelled prawns; one to two bunches watercress; a little vinaigrette dressing.

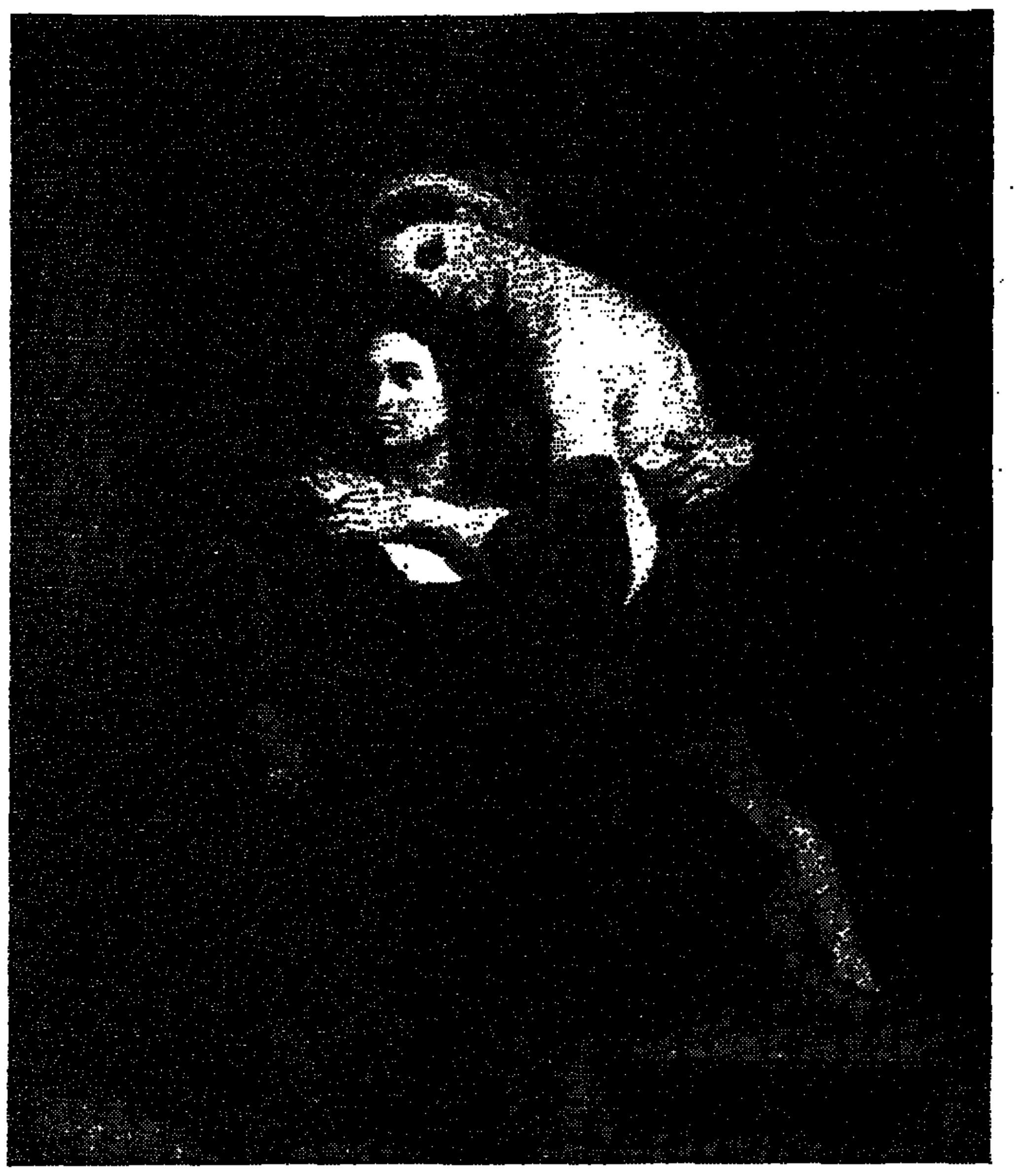
Sprinkle the gelatine over half the cold stock. Leave to soften and swell, then dissolve gently and set aside to cool. Stir the remaining stock into *the mayonnaise, adding it* gradually.

Grate the celeriac and apple, weigh them and add them to the mayonnaise mixture quickly, before they discolour. Season lavishly with salt and pepper, stir in the cooled gelatine and refrigerate until nearly set – about 15 minutes. Fold in the yoghurt gently, turn the mixture into a dish, cover and chill until about one hour before serving.

Dip the watercress sprigs in vinaigrette and shake off excess, then toss the prawns in the dressing. Put the watercress into a small bowl, pile the prawns on top and hand the salad around together with the mousse. Or, if a shallow dish has been used for the mousse, you could crown the creamy confection with the salad just before serving. Oat cakes, warmed in the oven, make a good accompaniment.

Philippa Davenport

Old Masters look cheap at the price



Detail from "Raphael and the Fornarina" by Ingres, estimated at $700,000-$1m

NEXT WEEK is Old Master week in the New York saleroom with both the main auction houses deciding to sell important old masters there instead of in London, as is more usual. "The Halbardier" by Pontormo, which, it is claimed, is a portrait of Cosimo de Medici, is the main attraction at Christie's and it has already been very widely publicised: it is expected to fetch in excess of $20m. Sotheby's offer a varied array of pictures from the collection of the late Walter Chrysler. As both the Pontormo and the Chrysler pictures have for some years been on display in museums, the press, grasping for something new to report about the saleroom other than record prices, have turned to talking about the *depletion of America's heritage*.

What is most remarkable about the sales, however, coming as they do on the heels of the big Contemporary Art sales of a few weeks ago, is the estimates: here we have paintings, some painted by great artists as long as three or four centuries ago, and they are expected to fetch only a fraction of the price that works created within the last two decades realised. To stimulate interest, the auctioneers have names that are synonymous with wealth in both the Old World and the New. American collectors may be ostentatious in their spending (as the recent Contemporary Art sales demonstrated), but it helps for them to be assured that they are in good company.

Apart from the Pontormo, Christie's are banking on a still-life by Jan Davidsz de Heem to fetch a high price: one of his pictures realised a surprising $6m at Christie's, New York, about a year ago. Next week's picture which is altogether less showy, is estimated at $800,000-1.2m.

Americans have always been attracted by still-life and there are several other less-expensive examples, both Northern and Italian, in the sale. Two other rare paintings, both with estimates of $1.5-2m, are a large Pieter Breughel the Younger, "The Battle between Lent and Carnival," and a Jan Steen of "The Fair at Warmond." Dull landscapes by great painters, Hobbema and Jacob van Ruisdael, are estimated at $100,000 and $200,000 respectively.

There are a number of rarities with attractively low estimates: a signed and dated

Homan Potterton reviews next week's sales in New York

gamepiece by Samuel van Hoogstraaten ($30-40,000), a signed Jacob Backer history painting ($30,000-50,000) and a fine Genoese work by Gioacchino Assereto ($30-40,000). Another interesting Italian seicento painting, this time signed, shows a girl playing a lute with an elaborate still-life of books and musical instruments: it is by the little-known Cristoforo Munari and is estimated at $60-80,000.

The Old Master and 19th Century Paintings from the Chrysler Estate, to be sold by Sotheby's on June 1, are only a small part of the extensive and varied collections assembled by the colourful Walter Chrysler during a lifetime of collecting. Those now for sale were bequeathed to his nephew, Jack Chrysler; but about 85 per cent of his collection, including great works by such artists as Veronese, Bernini and Gauguin, have been donated to the museum at Norfolk, Virginia, which bears his name and to which he gave an endowment of about $6m.

Works in the sale range from a few Italian primitives to three paintings of women by Lord Leighton, Burne-Jones and Rossetti respectively. Two predella panels from a Signorelli altarpiece are estimated at $50-70,000, and a rather beautiful early Francia, brought to America by Duveen, is expected to fetch $250-300,000. Works of the Northern Renaissance include a "Lucretia" by Cranach the Elder ($500-700,000).

There is less quality when it comes to the Italian 18th-century and the Flemish 17th-century; but among the Dutch 17th-century paintings are several excellent pictures by such artists as Flinck ($30-40,000), Judith Leyster ($100-150,000), Hondecoeter ($300-400,000) and Honthorst ($200-300,000). The top estimate is for a Bellotto architectural capriccio with the painter's self-portrait ($1-1.5m); but the most attractive memorial to Chrysler's unusual taste and judgement are a really fine Valerio Castello ($500-700,000) and a Giuseppe Bonito "Musical Party" ($300-400,000). At the time that Chrysler bought these paintings in the 1950's, few people can have ever even heard of the painters.

Both collectors and dealers, expecting a resurgence of interest in Old Masters, will be monitoring keenly the outcome of these New York sales. The sales of the 20th Century American arts and crafts later in the month, Christie's – 10th June, Sotheby's – 17th June, will be more predictable territory.

Peter Coleman-Wright and Sally Burgess

Alastair Muir

Plumbed in

David Murray on David Blake and John Birtwhistle's new opera

THIS NEW opera at the Coliseum by David Blake and John Birtwhistle inaugurates an English National Opera series of the most excellent intentions: there is to be a new production every year of a commissioned new opera. One wants then to consider *The Plumber's Gift* in the friendliest possible way, to look appreciatively at its mane, its tail, its shiny little hooves – anywhere but into its mouth. That, however, is where the trouble is.

Birtwhistle is a poet and an academic; it doesn't follow that he must be an academic poet, but as a dramatist he turns out to be exactly that. His libretto assumes that six stock "contemporary" characters – not in search of an author these many years – will come to poetic life without their having to do anything, so long as their lines rise occasionally to poetry. Just to be safe, he has nevertheless allotted them an act-long dream-sequence, equally inert but different, a period-pastiche "pastoral" (blatantly inspired by Auden's for the Stravinsky *Rake* and the Henze *Bassarids*). There, Blake accepted the invitation to do some musical pastichery of his own, but elsewhere the singers often have to speak flat Lower Chekhovian without musical support.

The idea for the opera is a hoary archetype, the class-distinct pair of couples who must undergo trials in an unfamiliar place and emerge transformed (or something): cf. *Così*, *Magic Flute* and *Die Frau ohne Schatten*, and closer still Tippett's *Midsummer Marriage* and *Knot Garden*. Here we have a disgruntled City couple coinciding in a seaside guesthouse with a plumber and his secretary girlfriend, who has had an earlier liaison with the City chap. The landlady and her permanent guest The Eccentric Retired Commander supply snobbish comedy-of-embarrassment, but also double as mystical elders, *Midsummer Marriage* style. It would be unkind to illustrate the colloquial manners of the text by citation; you could find them matched in almost any dusty volume of J.C. Trewin's *Plays of the Year* series.

For the poetic numbers – *solo arias*, a few briefer effusions and one lovely, detached sextet between scenes – Blake has devised music of some pith and feeling. The lonely City wife's monologue at the close is another of his ravishing gifts to a soprano, here the appealing and dignified Eiddwen Harrhy. In the dearth of any real action, however, the words have the hopeless task of creating the drama: hopeless because we inevitably miss so many of them, and because the naturalistic mimicry of straight theatre is hobbled by musical setting, and because that anyhow isn't the art that opera singers practise.

From the start, nothing was believable about Philip Doghan's City chap – neither the accent, the manner nor the clothes, much less his burst of coke-snorting in the seafront cafe of the final act; nor did his sturdy tenor seem comfortable with the elegant curves of Blake's vocal line. Ann Howard made a good professional fist of the sitcom landlady, but as the *dea ex machina* in the pastoral she got none of her crucial "riddles" across to row J in the stalls. As the Commander, Neil Howlett did everything possible with the music for a "character" who is the merest poetical figment.

Sally Burgess took the plucky, sexy secretary in her stride, including a crypto-Broadway confessional ballad which sounds in the context like a shameless tonal pacifier. Peter Coleman-Wright created an upstanding plumber, despite his naff anti-capitalist sloganising in the last act – and the stark contrast between his sung middle-class diction and his spoken demotic. Where similarly awkward gear-changes in Eliot's plays were at least lubricated by a socially homogeneous tone, Birtwhistle's grind between class-conscious friction and idealised soulful utterance; each makes the other sound phonier.

Richard Jones's production is disappointing after his terrific *Love for Three Oranges*: bare revue-routines in Act 1, scant enlivening detail for the personal confrontations, and frank abdication in the jejune pastoral fantasy – Nigel Lowery's jokey designs have to carry the thing unaided. Pat Collins' wilful lighting-plot is intrusive to the point of distraction. Many conversational exchanges sounded hobbled to slow motion by the music, but Lionel Friend conducted with *eloquence* whenever the score aimed at that, not least in the clever Mahlerian salad Blake has composed for the snatches of "Mahler's second opera" which keep cropping up on the hotel telly: BBC2, we assumed.

Theatre

Shunted about

TED MOORE is a 51 year-old physiotherapist and part-time author (radio plays, short stories) from Hartlepool. For a time, as a boy, he worked on the railways, an experience that informs his first stage play, *The Marshalling Yard*, at the Bush Theatre.

However, this is not a realistic "work" play in the old Royal Court realistic vein of Wesker and Storey. It is a shifting, strange and elliptical essay in territorial relationships into which the night-time setting of sighing rails and creaking, uncoupled goods trains seeps like a damp fog.

Ken (Tom Georgeson) is a defeated, morose workman who is supervised by a bumptious foreman, Taller (Paul Daltoo), who also happens to be his son, and threatened by an ebullient, permanently sloshed new arrival Rooney (Tom Mannion).

Events in the marshalling yard are poignantly framed by Ken's visits to his sick wife, Vera (Sheila Reid), who has been shunted into an emotional siding and driven mad by living in a house holed up against a railway embankment.

What exactly the work of the yard entails is not clear. A train has to be made ready for Doncaster, and Ken comes and goes with a wooden pike. But arduousness and danger have taken their toll. Ken's hands are seizing up and he is subject to sudden black-outs. Faces and hands are covered in grime. In luminous orange jacket tops, Rooney and Ken produce sandwiches from those curious little satchels of green webbing, make tea, exchange hopes and resentments.

Rooney is disruptive, rootless, irreverent, hoping to join the Irish Guards. Taller, the youngest-ever yard foreman, is a stock figure of authority until we learn that his wife has blown the whistle on him and walked out. Rooney stays at Ken's house, and Vera wants to know why her husband won't touch her any more. The writing is at once ambiguous and sinister, the play brimful of sadness.

I was intrigued and impressed, and Brian Stirner's impeccably well acted production is a gem of sensitivity and nuance. The Bush has unearthed another distinctive voice and given it full-throated projection in Miss Reid's wistful lamentations, Mr Mannion's rousing, unbridled vitality, and Mr Georgeson's haunted realisations of entrapment.

Robin Don's miraculous setting suggests the various locations by a single chair, a sink, and, with Rick Fisher's lighting, refers back to the central locker room ambience of the yard's staff area. Two sides of the platform stage are bounded by long segments of railway, complete with sleepers and rocky pebbles, that are reflected in a surround of metal sheeting, thus creating an impression of infinity and a yawning industrial vista.

Michael Coveney

Records

Passionate about Porgy

THE SUMMER of 1986 brought *Porgy and Bess* to Glyndebourne and, with it, one of the landmark events in the festival's history. Nobody fortunate enough to see and hear it could ever be the same again. The right of the piece to the name of opera had previously been disputed, its flaws widely proclaimed, its greatness often questioned (even if Gershwin's tunes had long ago entered the bloodstream of 20th century popular music).

Here, the whole work came into its own. The subsequent failure to preserve Trevor Nunn's production on video was a monumental folly. But one recording company, at least, has acted wisely and responsibly: EMI's original-cast recording (made after the two "farewell" Festival Hall concerts in February of last year) has just been published. It is one of the most keenly anticipated sets of recent times, and it makes a bold new entry on the shortlist of truly meaningful performances on record.

In every bar and note the performance is stamped, with perhaps even more obvious dominance than in the theatre, with Simon Rattle's blazing love for the score. This is one of the most passionately "felt" opera recordings in existence. The playing of the LPO breathes light, air, vitality, above all a very free kind of lyrical energy; it is impossible to imagine Gershwin's heavily padded, insistent, overblown orchestration being made to generate a more purposefully focussed dramatic vision. Occasionally, one wonders (as in the very slow tempo for "Summertime" and all its reprises) whether love may be getting the better of prudence; the warm-bath sound-picture emphasises a Delius-like rhapsodizing in such a passage, as well as causing the occasional loss of clarity in balance.

But such doubts are few indeed, and Rattle's way of releasing the work in huge unbroken sequences (demonstrated especially in the Hurricane prayers, in which the fire of the choral singing singes the speakers) sweeps them into insignificance. The extraordinary thing about this account of so uneven a first opera, with all its echoes of *Meistersinger*, *Carmen*, *Louise*, *Boris*, *Tiefland*, *Wozzeck* and so on and on, its crude patches of filling-in and its episodic looseness of structure, is how little the faults and flaws come to matter, how life-enhancingly important a work it comes to seem.

To praise the cast all over again is redundant, but tempting none the less. Every role down to the smallest is lived-in, part of an organic ensemble; comparing the new EMI set with Decca's of 1976 (how "straight," how untheatrical in orientation Lorin Maazel's conducting now seems), one appreciates a couple of superior voices on the older, but a glorious gallery of character portraits, a tapestry of linked destinies, on the newer. Of Cynthia Haymon's marvellously beautiful and touching Bess, a "person" who fills out before one's eyes even at home, Bruce Hubbard's bel canto Jake, Damon Evans's glitteringly witty Sporting Life, and Marietta Simpson's Maria (a classic cameo) there must be a brief mention.

Gershwin: Porgy and Bess. Willard White, Cynthia Haymon, Harolyn Blackwell, Cynthia Clarey, Damon Evans, Gregg Baker, Marietta Simpson etc./Glyndebourne Chorus, LPO/Simon Rattle. EMI CDS 7 49568 2 (three CDs)

Prokofiev: War and Peace. Galina Vishnevskaya, Wieslaw Ochman, Lajos Miller, Nicolai Gedda, Stefania Toczyska, Nicola Gyuzelev, Eduard Tumagian etc./Radio France choruses, Orchestre National de France/Mstislav Rostropovich. Erato ECD 75480 (four CDs)

But Willard White demands more than that. He was also the Porgy of the Decca set, a young singer with a lovely bloom on his voice. The sound has darkened, filled out, grown in projectile intensity; where earlier on, in the finale, there were hints of strain, the *Heldenbariton* grandeur of the singing seems now unquenchable. The whole EMI performance gives the impression of taking its tone from the mature magnificence of Mr White's voice, of drawing its emotional force from his characterization, which slowly unfolds into warmth, generosity, and a final gut-wrenching heroism that stirs the listener

Willard White's second Porgy is one of the great performances on record. If there were no other reason to rush out and buy this set, he would be reason enough.

I should like to be able to greet the first complete *War and Peace* with the same enthusiasm. Memories of performances at the Coliseum in the 1970s are still strong, and they tell of a mighty operatic canvas broadly and boldly filled, with colour and incident, a grand popular spectacle that was the sum of its parts and a lot more as well. Sadly, it is the patchiness of the canvas that is most fully demonstrated in Rostropovich's performance – perhaps because his Prokofiev conducting, undoubtedly as passionate and enthusiastic as Rattle's Gershwin, is erratic, stop-go in pacing and phrasing, leading to a sense of fitful dramatic spark. A lot of water-treading in "Peace" that one had not noticed before stands out.

So, at least, and in a more positive way, does the romantic fervour of the big choral apostrophes and tableaux (in the finely balanced recording), and of some of the well-remembered solo passages – Gedda makes sure that Anatol's contribution is vivid and telling, as does Toczyska's lustrous Hélène and, in "War" the strong Kutuzov of Gyuzelev and superbly black, baleful Napoleon of Tumagian.

But there are rather too many neutral-to-dull offerings elsewhere; and these unfortunately include both the Andrey (Lajos Miller) and the Pierre (Wieslaw Ochman). As Natasha, Vishnevskaya makes a brave but profoundly unwise attempt to recapture her youthful glory in this role; to be brutally honest, she is a trial to listen to.

Max Loppert

Radio

The armada comes to grief

NOW THE final part of *The Sea Voyage* has been heard (Radio 3, Tuesday), I can give it more of an overall view. It was, I think, on the whole dramatically unbalanced. We had a calm in the Atlantic last week, and this week a longer calm in the Pacific. The excitement that charged the start of the voyage was hardly matched by the horrors of the Pacific calm, where only one of the five ships survives, and only 30 men. In a style unlike the anthropomorphic ado of the earlier scenes is a horrid account of the starving survivors, forced to live first on their mouldy rations, then on the rats, rats' droppings, cockroaches and maggots.

Hysteria inevitably abounds. Simon Perez (John McAndrew), who now has much of the narrative, is visited by Saint Jerome. A talking sea-serpent rises ominously alongside. But landfall comes, after 3000 leagues, with friendly natives (apparently Arabs) inhabiting an island on which bones are revered.

They are not, alas, the bones of Christ. Juan Hurtado (Philip Voss), disillusioned with his armada and his heretical Nestorian beliefs, dies and is buried on the island with the bones. For me this long diminuendo was an inadequate conclusion. The production by Jane Morgan was vividly imaginative, though she might have altered the pronunciation of "studding-sails" and "top-gallant."

The BBC can't resist a round number, so they gave a boost to this week's *Conversation Piece* (Radio 4, Thursday), the 100th. Sue MacGregor had 25 minutes with the Japanese-cum-Viennese pianist Mitsuko Uchida, after which I felt I would be happy to meet Miss Uchida, even happier to meet Miss MacGregor, but hadn't learnt anything important – perhaps the right values for mid-morning Radio 4. It was certainly more entertaining than Claire Rayner's half-hour with Dame Alicia Markova (Radio 2, Saturday), which was a first-person trip through the *Who's Who* bit, seasoned with big names.

Also on Radio 2, I heard the first of the four parts of *When Swing Was King* on Tuesday, introduced by Mel Tormé; but he was halfway through without mentioning Ben Pollock (whose band first featured Benny Goodman) so I decided to wait for a later programme. Back on Radio 3, yesterday we had Shakespeare's *Timon of Athens*. This rather rough play about a charming man and his uncharming friends is not a favourite, and there was a programme earlier in the week called *Why Timon?* that I unhappily missed. One answer is that it has a part capable of exciting performance.

Robert Stephens gave Timon, the suave Athenian whose vast generosity leads to a bankruptcy from which his rich, avid guests decline to help him. Stephens's Timon might have used a gentler voice – he bangs his emphases like tympani – for though he must seem a monster once the creditors take over, he is that interesting phenomenon, a gentlemanly misanthrope. He gives a great final dinner where he serves only stones and hot water. His grace concludes "For these my present friends, as they are to me nothing, so in nothing bless them," then he goes to live in a cave.

Shakespeare then allows him gold hidden in the earth, so we may see generosity towards new people in a new style, but to my mind nothing very much is presented. It is commonly thought that the play we know was only a first draft of something better. It dates from the *Coriolanus* period (1607-09), and indeed its Alcibiades is like a half-finished Coriolanus. The verse is very irregular (so we may be grateful for Stephens's emphases). Apart from Timon and the even more misanthropic Apemantus, there is no one of much interest in the play, not even Alcibiades, and no women but whores.

Timon has some fine speeches, though, notably his cursing of Athens after his last dinner, and Stephens does them well.

B.A. Young

Where would you find a crucified Christ on a crocodile? On the South Bank where a major summer festival is being held

Viva Latin America!

ART IN Latin America, now at the Hayward Gallery on the South Bank Centre's Latin American festival, Viva!, and its major exhibition for the summer. It is a brave and ambitious undertaking and surprisingly successful, for such broad-based anthology shows so often promise more than they can possibly deliver.

To take on a subject with the scope of the work of a continent and a half would seem foolhardy enough, but then to add an historical dimension of some 200 years is surely to compound the foolishness. Transpose such an attempt to Africa, for example, and the point is clear.

But then, we remember that the Americas, for all their vast latitude and physical variety, are a special case. Their history in the modern world is compacted into less than five centuries and the circumstances of their colonisation, north, south and central, imposed cultural coherency and a common, unifying sensibility. In central and south America especially, where the informing factor is the temperamental and cultural legacy of Portugal and Spain, it is still entirely reasonable to see Mexico in relation to the Argentine in a way quite impossible between Egypt and the Cape.

The period taken is roughly that of the emergence of national identities and the several achievement of independence. It is also the period of the full exploration of the continent; the scientific account and observation of its fauna and flora; the anthropological and archaeological study of the indigenous populations and their effective suppression and exploitation.

The material is ordered in a loose chronology, taken theme by theme, from Independence and its Heroes through such categories as History Painting, Nature, Science and the Picturesque, the Popular Graphic Tradition, and the Mexican Muralists, to end with the Radical Leap of the 1950s and 60s and History and Identity to bring us up to the present.

That that present should be so keenly, so intriguingly demonstrated, has relevance far beyond mere art history and aesthetical study. The threads that run through the show are those of politics and revolution, religion and culture — bright, active and volatile. And beneath them all lies the native presence, superstitious, primitive and patient. A Mayan Maize God presides above the entrance; an Aztec serpent is coiled in the centre of the room; modern native masks of leather and paint grin from the cabinet; and the figure of the crucified Christ is carved upon a wooden crocodile head; jaws agape.

At every turn there are fascinating, beautiful and memorable things to see and many surprises among them, but, with the pace so even and the emphasis on parity and continuity, there is nothing dominant or outstanding. Major figures — such as Diego Rivera, Orozco Siqueiros, for example — are of course represented, but by typical works rather than a succession of overwhelming masterpieces. The policy is sound, for by choosing to demonstrate the context, the effect is to allow the lesser figures their proper place. Indeed Rivera's wife, Frida Kahlo, emerges as a surrealist painter of authority and significance and an artist quite distinct from her husband. Another Mexican, Rufino Tamayo, and the Cuban, Wifredo Lam, are two other painters whose surreal and abstracted expressionism is well enough known but who emerge, through the few works shown, as ripe for reappraisal.

With a painter like Jose Maria Velasco, who has a section to himself, there is not even a vague familiarity by which to anticipate a pleasure. Academic as they are, his late 19th century landscapes across the valleys and volcanoes of Mexico have an unaffected intensity of vision and clarity of statement that are both convincing and affecting. But he also shows us that once the artist has penetrated the wilderness, it is a little less wild. My one regret is that there was no room among the introductory, antecedent works for the extraordinary landscapes of the 17th century painter, Frans Post, who travelled through Brazil and filled the fringes of the jungle about the native villages with wonderfully sinister, lurking creatures.

The exhibition has been organised in collaboration with the Spanish Ministry of Culture and the Swedish National Museums, and devised and selected by Dawn Ades, of Essex University, with help from Guy Brett on the constructivist artists of the 1960s. It continues until August 6, then on to Stockholm and Madrid: sponsored in London by Christie's, Dos Equis Mexican Beer/Maison Caurette, Banco Consolidado of Venezuela, and Mr and Mrs Gustavo Cisneros.

William Packer

"Grandparents, My Parents and I (Family Tree)" by Frida Kahlo

A question of identity

THE TERM Latin America covers a diverse conglomeration of countries. Chileans, Brazilians, Argentinians, Mexicans, Ecuadorians, Peruvians, and people belonging to a number of other separate nations, are all politically, culturally, socio-economically, Latin American.

Is there, then, some tangible Latin American identity over and above that of the separate countries? And if there is, can it be defined by considering the art and literature produced in the various regions over many centuries, and viewing it in the light of general tendencies or characteristics in common? These are questions which thoughtful lovers of the arts will be considering over the next few months as they visit the show at the Hayward Gallery or attend other events on the South Bank under the heading *Viva!*, which include concerts of music by Villa-Lobos, Chávez and Revueltas, as well as carnival music in the Jubilee Gardens and a season of films the National Film Theatre.

A conference arranged by the Latin American Arts Association was held over last weekend at Leeds Castle near Maidstone, to put these questions to some writers, artists, politicians and critics from various Latin American and European countries. The chairman was the novelist Mario Vargas Llosa, a Peruvian, and among the guests were the Mexican poet and critic, Octavio Paz; the Venezuelan film director Maria Bemberg who works in Argentina; the Cuban writer G. Cabrera Infante; the Chilean artist Roberto Matta; the Mexican sculptor, Helen Escobedo; the Colombian painter, Santiago Cardenas; and Roberto Pontaul, the Brazilian art historian.

This distinguished contingent was confronted by people from outside Latin America: Senator Susanna Agnelli, the *Italian Minister of State* for Foreign Affairs; Damian Bayon, the French art critic; Malcolm Bradbury, wearing his East Anglian academic hat; Gerald Martin, professor of Latin American Studies at Portsmouth Polytechnic; David C. Thomas, the former British diplomat; Timothy Clifford, the Director of the National Galleries of Scotland; Marina Vaizey, Nicholas Shakespeare and other media colleagues.

If any further evidence were needed to show how much disagreement there is within Latin America about the question of a Latin American identity, this was amply provided by a number of fascinating interchanges between the Latin Americans themselves. It was often difficult for the European members not to subside into a purely spectatorial role while the Latin Americans thrashed out such questions as the sensitivity (or lack of it) of Borges to the visual arts; the Aztec influence on modern Mexican sculpture; the "ghetto-like" isolation of modern Brazilian experimental painting; the lack in Argentina of "a meaningful past."

Nonetheless, despite these entertaining exchanges, there emerged from several passionate outbursts a clear sense of a commitment to an ideal of Latin American consciousness, based on an attempt to come to terms with a shared sense of historically-generated problems, and through living in societies all of which were divided by extremes of wealth and poverty, different languages spoken by various sections of the population and massive illiteracy.

The situation of a small artistic or literary elite looking outwards from, say, Santiago or Lima or Mexico City to the art-markets and publishing houses of New York, Paris and London, seemed to be a fairly common one in Latin America — with an accompanying sense of guilt about the presence of an indigenous population whose needs contemporary art and literature completely fails to meet, though this is not quite so true of music.

The question of "indigenism," the drawing strength from native pre-Conquest roots — one of the themes of the Hayward Exhibition — and its presence or absence in movements like kinetic art and constructivism which have flourished in Latin America recently was touched upon, and there was a salutary reminder of the constraints imposed on artists, and on writers particularly, by Governments. This came out fully in a talk on "The Intellectual in Chile" by Jorge Edwards, who described some of the ways writers had managed to defeat censorship after the Coup of 1973. It was Vargas Llosa who, in the lively discussion following the talk, made the point that political pressure, for all its evils, gave literature force and importance.

Anthony Curtis

The Thatcher Factor

The new Minerva Studio at Chichester is Festival director John Gale's crowning glory, says Martin Hoyle

THERE IS a shark in Chichester's South Street; amidst the estate agents a real shark, on display in Hooper's the fish shop, with a mackerel tastefully arranged in its jaws. You can brush up your medieval recipes with galingale and cubebs from an excellent delicatessen near the station which also boasts a fine selection of English cheeses. Yet Chichester rates not one mention in The Good Food Guide. The four main streets that meet at the Market Cross are pedestrianised so that lovers of our Georgian heritage can marvel at Woolworths, Dixons and The Body Shop in safety. On Saturday there was Morris Dancing between Next and Tescos. In Chichester the past is tolerated as long as it doesn't interfere with the present, uneasily jostled by the demands of consumerism.

A certain irony, therefore, attends the choice of Maxim Gorky's *Summerfolk* as the opening production of the Minerva, the Festival Theatre's spanking new studio space. Some observers jokingly identify the "superfluous people" of Russia's *ancien régime* with Chichester's own public. The Festival enjoys the reputation of commercial theatre carefully calculated not to *épater les bourgeois* on whom, financed entirely from the private sector, it desperately depends. And the five seasons of John Gale's directorship (he joined the Festival two years earlier as Executive Producer) are held up as an example of the Thatcherite impact on theatre. "Chichester meets with more difficulties than a black theatre group," sighs one of the Minerva's staff. "It's assumed it must be smug, middle-class and rolling in money."

Now in his last season, Gale can regard the opening of the Minerva as his crowning glory. Studio activities for new or rare works, it tends to be forgotten by Chichester's detractors, have played a part in the Festival since "New Ventures" in 1976. Turfed out of a picturesque old hotel when it was taken over by Trust House Forte, experimental work transferred to the Minerva Studios rehearsal rooms and, disastrously, to a community centre that nobody could find, before settling in The Tent, "a marquee with a hovel at the back," according to the Minerva's administrator Will Cohu. "It leaked," he cheerfully recalls. "The floor had just been laid down when the roof fell in under a downpour." But he affectionately concedes "a certain magic . . . Anything *could* happen and usually did."

The new building echoes the stylised tent-shape of the main theatre and contains the restaurant (light and spacious though without the ad hoc, cricket-pavilion feeling of the old one). Nissan UK has contributed £500,000. The production company, Chichester Theatre Trust, owns the building. Money has come from public subscription, the Theatre Society and Allied Lyons who have the catering concession. And the main house's often derided commercial policy has done no harm to the surpluses held by the Trust.

Transfers to the West End, and further, have figured largely in Festival planning; inevitably since, as Cohu gloomily reflects, arts organisations are painting themselves into a corner in their urgent search for private sponsorship. "The market for funding is *not* growing but shrinking."

Economic self-reliance can be detected in the Festival's main house programme over the years. Gale's first season as director was Shakespeare's last to date, though Vanbrugh, Wilde and Shaw have provided an acceptable classic presence in each subsequent year. Serious buffs of the musical can scarcely complain in principle at revivals of Coward's *Cavalcade*, *Annie, Get Your Gun!* or *A Funny Thing Happened on the Way to the Forum* (*Robert and Elizabeth*, less of a classic, is more debatable). Middlebrow authors of a certain generation, perhaps remembered by Chichester playgoers from their West End heyday, include Bolt, Bagnold and Anouilh. And when commercial acumen coincides with theatrical talent, as in Nicholas Hytner's *Scarlet Pimpernel* with Donald Sinden, the sceptics are stilled.

As in the old dinner-party game of categories, Chichester does good and bad entertainingly and boringly. When the permutations are right (Alan Bennett's *Forty Years On*, Maggie Smith in *The Way of the World*) nobody complains. Sometimes it presents the good rather badly and the meretricious rather well. Sometimes it does the rotten rottenly. But its failures, the private marketeer would hasten to point out, make no demand on the public purse.

"Nothing's so important it can't be cut," they say of Minerva productions. Money is tight. This season the Minerva's expenditure on the sets and costumes for eight shows totals £21,000 — the cost of mounting *one* at the Royal Shakespeare Company's Pit. "The Studio's never going to break even," they admit; but after two months' advance booking a third of their audience target of 70 per cent has been met. Even for Caryl Churchill's sexually kaleidoscopic *Cloud Nine* booking is good.

But then the studio activities have always kept a loyal audience. "People are prepared to give us a go," says Cohu, recalling plays in The Tent about such un-Chichester-like topics as child abuse and breast cancer. The core of eight young people engaged for a number of productions continues the underrated Chichester tradition of encouraging burgeoning talent. Designer Bunny Christie, actor Alex Jennings and writer Debbie Horsfield have found success after seizing early opportunities for major work in Sussex.

Meanwhile the Chichester audience remains as much of a paradox as the Festival itself. The air of a theatrical Glyndebourne hovers over productions that are often not the dramatic equivalent of the opera house's meticulously tasteful imagination, quite apart from the worth of the works themselves. The Chichester staff are aware of the irony of playgoers who "go home to their neo-Georgian estates and listen to Bach, surrounded by icons of past culture while doing the dirty on our future heritage."

John Gale, now in his last season as director of the Chichester Festival Theatre

Chess No. 774

1 ... R-R6 ch; 2 K-N4, RxB ch wins. If 2 RxR, B-B2 ch wins the rook, or 2 PxR, P-R7 and queens.

Ballet

Soviet stars in La Bayadère

IF *LA Bayadère* is to make sense in its new life with the Royal Ballet, if it is to last as a serious repertory acquisition, it must be treated with respect and a willingness to accept its merits as well as its historical significance.

An initial problem has to be faced with Minkus' score as *"specially arranged" by* John Lanchbery. The old Mariinsky text, even as edited today in Leningrad, has a certain dignity (just as has the ballet itself) which is ill-served by the Brummagem effects that Mr Lanchbery has imposed upon it. Not to trust Minkus is not to trust the idea of 19th century Russian balletic spectacle, and it would be no bad thing for the Royal Ballet to acquire the present and honourable Kirov orchestration for the first two acts of Makarova's staging: the third act music, confected by Mr Lanchbery, is unavoidable.

As a step in the direction of showing the implications of *La Bayadère*, the Royal Ballet has invited its first two Soviet guests, as Nikiya and Solor. This is, in itself, a significant move, all the more so in that the guests are Altynai Assylmuratova and Faroukh Ruzimatov, *making their debuts on* Thursday night. Heaven intended Assylmuratova to dance Nikiya — why else give her beauty so exquisite that, on her first appearance, when the veil is taken from her face, the reason for the coming drama is breath-takingly clear? Why else the perfect arch of the torso, lifting and flowering from the waist through bust and neck to the ravishingly placed head, if not to seem the ideal of a role which calls for exoticism contained by classic rule. And why else the marvellous opening out of dance and gesture, Kirov schooling showing how arms can phrase with a spacious nobility from the clear centre of the trunk, and how steps are shaped with an amplitude that redeems the least moment from banality?

Assylmuratova demonstrated the absolute seriousness and the spiritual weight of her role — *and of the ballet* — and she was beautiful. She seems, of course, from a different world when viewed against the niceties and eagerness of the rest of the ensemble, but that is her especial genius. Unforgettable her purity in the Shades scene where, in a simple white tutu, hair undecorated, she looked like the spirit of the dance itself. Unforgettable, too, the intensity of feeling that she generates in every moment of the action, though she merits stronger dramatic contrast from Sylvie Guillem's Gamzatti in the famous interview when the two women dispute for Solor's love: Guillem is too impassive when faced with the flame of this Nikiya's feelings.

No reserve, though, in Faroukh Ruzimatov's Solor. Here we find the combination of ecstasy and remorse, of wild *feelings and impassioned* soarings, that are the stuff of the role. He believes, and we believe, and that extraordinary physical sympathy between him and Assylmuratova, that "body speaking to body" rapport that marks their joint performances, is never more telling than in the last act, when almost identical costuming makes them seem like two halves of a single being.

Sylvie Guillem's Gamzatti rejoices in the dances of the Grand Pas. Here the easiest bravura, the most daring feats effortlessly done, give the character an exultant force which is as yet missing from her dramatic playing. The role is less chilly, less contained in its emotions — if the precedent of such Kirov ballerinas as Terekhova and Chenchikova is anything to go by — and more openly operatic in its expressive means.

Sylvie Guillem's Gamzatti at Covent Garden

There will be much more to comment upon after the Royal Ballet settles into this staging: performances are decent, if still somewhat uneasy. The sets by PierLuigi Samaritani are very fine indeed, and *Yolanda Sonnabend's costumes* are properly opulent. The infelicities of the present scoring are in no way disguised by the orchestra under Isaiah Jackson. Perhaps we should form a Society for the Protection of Minkus.

Clement Crisp

SPORT

Watson on the brink of oblivion

***Ben Wright** on the demise of a player who is a credit to golf*

OF ALL the questions one is asked about fading golfing superstars, none has ever been asked of me more often than: "Can Tom Watson come back again and win another tournament, let alone a major championship?". It is a measure of the worldwide admiration felt for Watson, as a golfer and a man, that obviously prompted the two most widely read American monthly magazines to include major articles about him in their June issues. Far from coincidentally, but perhaps ironically, the magazines are largely devoted to incredibly detailed previews of the US Open Championship next month.

To say that Watson, who will be 40 on September 4, is at the crossroads of his remarkable career is an overdue, or even belated, cliche. Watson, the fastest ever winner of five Open Championships, appears to have steered himself on the slope to oblivion. This statement might seem dramatically premature, to say the least, to Watson's legion of fans, who are probably more numerous in Great Britain and Ireland than they have been in his native country. But recent facts clearly emphasise the desperation of Watson's current plight.

He has played in 11 tournaments so far this year in America, and has not been in contention to win any of them. His results make painful and astonishing reading. In Phoenix he finished 20 strokes behind the runaway winner Mark Calcavecchia. At Pebble Beach he failed to survive to the final round, and finished 2 strokes out of the money. In Los Angeles he finished 17 strokes behind the winner, who was again Calcavecchia, and Watson promptly missed the cut a week later in Hawaii.

In the next three events he succeeded in surviving the cut after 36 holes in San Diego, Orlando and New Orleans, but finished 13 shots behind Greg Twiggs, 11 behind Tom Kite and 9 behind Tim Simpson, the respective winners in those cities. He crept a little closer to the winner at the Masters, finishing only 7 shots behind Nick Faldo. But the strange sequence of improvement was abruptly halted at the Heritage Classic a week later, when Watson finished 15 strokes behind easy winner Payne Stewart.

The legendary Texan, Byron Nelson, has for long been Watson's guide and mentor. But, in the tournament named after that grand old gentleman, in Dallas, Watson could find no inspiration, and missed the cut by 8 shots. The following week the weather was brutal in Columbus, Ohio, for Jack Nicklaus's Memorial Tournament honouring the late Sir Henry Cotton. So much so, it evoked memories of Watson's winning performance at Muirfield Village in 1979. On that occasion Watson had so brilliantly triumphed over the elements, to record a second round of 69, that it is still talked about by his peers *as perhaps the* best bad weather round ever played in the entire history of American tournament golf. In similar conditions, earlier this month, Watson missed the cut by 2 *shots. Although he has won* just short of $74,000 (£46,000) by his own standards his season has been miserable.

What are Watson's problems? Firstly, one tends to overlook the fact that he has been in a steady decline since 1984. In that year he won three times in the US and was the leading money winner for the fifth – and last – time. Of course Watson *did* win the Nabisco Championship in 1987, with its totally unrealistic first prize of $360,000 official money, in a 30-man field. This huge bonanza inflated his earnings to $616,351 for fifth place in the money table, whereas he had been 18th in 1985, 20th in 1986, and was 39th last year. At the moment Watson is 80th on the 1989 list.

Tom Watson: a great golfer in a desperate plight

Secondly, although Watson is still the all-time leading money winner, by a narrow margin, his pathetic putting, particularly from short range, *has been slowly but surely* destroying a game that was once based on all-out aggression. Watson's decline has been as spectacularly fast, but largely unnoticed, as was *Arnold Palmer's before him.* Palmer won all his seven major professional titles in a seven-year span between 1958 and 1964, but never managed to capture the US PGA Championship. *He won the Masters* four times, the Open twice and the US Open once. Watson accumulated his eight major victories in eight seasons. Besides his five Open titles he won *the Masters twice and the* US Open once but, like Palmer, Watson has failed to win the US PGA title.

Again like Palmer before him, Watson was a sometimes wildly inaccurate driver in his heyday, secure in the knowledge of his sensational powers of recovery, and the enormous courage to be able to charge *every putt, certain of his ability* to hole the one he really needed – Palmer personified.

But Watson suddenly lost the ability to hole those four- and five-footers, and his aggression retreated to a state of mind and nerve bordering on timidity. Just like Palmer. Watson one awful day discovered that he had gone to the well once too often, and come *up dry. It must be a* terrible experience that can only really befall the great players. A lesser golfer's similarly dramatic decline would be, and has many times been cloaked, *in face-saving anonymity.*

Yet it is hard to believe that Watson is finally finished. I have a hunch that Ray Floyd, the challenging American Ryder Cup team captain, *will call on Tom as his one and* only wild card selection for the September clash against Europe at The Belfry, for instance, because match play is really Watson's forte. And there is always the Senior Tour, where the starting age will shortly be lowered, albeit gradually, from 50 to 45. This will allow more younger players to have a chance.

But Watson as a person remains an enigma, and very much a "loner". A fierce traditionalist, he has many admirers but few friends on tour. Twice he has been defeated in attempts to gain a place on the Tour's policy board – both bitter disappointments to him. In America he has never achieved anywhere near the popularity and public adulation enjoyed by either Palmer or Nicklaus. Watson has stubbornly chosen to endure his native Kansas City's lengthy and arduous winters rather than moving, as *have most of his rivals,* to warmer climes in the off season.

I suspect that now Watson's utterly wonderful, decade-long, rivalry with Nicklaus is a *thing of the past he will enjoy* golf more in the company of family and friends than he has every really enjoyed the tour in America. Good luck to him. He is, and has been a tremendous credit to the game and will be a popular visitor to Great Britain and Ireland as long as he chooses to travel.

The top tennis men sharpen their claws

John Barrett enjoys being a ballboy in the German sunshine

ACTING AS ball-boy for Stefan Edberg and Anders Jarryd, as the Swedes went through a punishing routine of training drills and a hard practice set, was a pleasant *diversion in the hot Dusseldorf sunshine.* They were working under the watchful eye of Edberg's coach Tony Pickard, a member of my Davis Cup teams of the early 1960's and *later British captain. This* week he has been acting as the Swedish team captain. The players were clearly enjoying the sheer physical effort and relishing the chance to sharpen their considerable skills for the battles ahead.

Preparation without pressure, competition without worry about ranking points – that is what the Peugeot World Cup is *all about* . . . *Oh yes,* and a little matter of $900,000 (£600,000) in prize money. Not surprisingly, most of the world's leading players love to participate in this official ATP men's team competition, now in its 12th year.

Along with Edberg and Becker, three more of the top ten are here – Miloslav Mecir, Jacob Hlasek and Tim Mayotte. It is a pleasant week for them. They are richly rewarded, they play every other day and so have ample time for practice, and they are certain of at least three hard matches on Europe's slow red clay – a perfect warm-up for the French Championships which commence on the same surface at the Stade Roland Garros on Monday.

Begun in 1978, the World Team Cup is a competition for the eight leading nations of the world, based on the computer rankings of their first two players. It is beautifully staged at *Dusseldorf's delightful* Rochus-club.

A popular event, the 11,200 seats on the two show courts are sold out long before the week begins. Altogether some *700,000 fans have seen* the tennis over the past 11 years, an indication of the strength of the game in Germany – thanks to the exploits of Becker and Steffi Graf.

The man behind the event is 50-year-old Horst Klosterkemper, a director of Messe Dusseldorf which organise some 20 fairs and trade shows in Germany and overseas. Kloster*kemper is unique among* tournament directors for he gains no financial reward from the exercise. He says he does it because tennis is his hobby. What is more it is a family affair. His wife Marly, daughter, Katrin, and sons Alexander and Bernt are all members of the team of 40 volunteers involved in staging the event.

Perhaps that is why, in the leafy elegance of the Rochus-club, built in tiers on a wooded hillside near the Rhine, there is still an echo of the amateur tournaments of yesteryear.

This week, Edberg and Becker have looked very impressive. They are serving with tremendous authority and are volleying well too. Both are relieved to have overcome back problems and have regained that vital ingredient – confidence. They both seem certain to acquit themselves well in Paris where neither has yet won the title. Edberg was a quarter-finalist there in 1985 and Becker reached the last four two years ago.

Although these two Wimbledon champions perform best on fast surfaces, there is no reason why they should not win a French title. After all, the great champions of the past have all proved themselves capable of adjusting their fast court techniques and their attitudes to succeed on the slower surface.

Unquestionably, however, the man who will start as favourite is Ivan Lendl. Free at last from the injury problems, this dedicated professional has lost only two matches since winning his first Australian Open in January. Like Mats Wilander last year he should capture the second leg of the Grand Slam at a venue where his patient and powerful skills have won him the title three times, in five appearances in the final, since 1981.

The holder, Wilander, must somehow drive himself out of losing rut in which his wheels have been stuck since winning the US Open in September. I shall be surprised and delighted if he does though. Of the others Mecir is another with back problems and is only just fit again. Andre Agassi will have to throw off the disappointment of losing his way in Rome after holding a Championship point in the final against Alberto Mancini. Jimmy Connors, at 36, will find the task of claiming a first French crown too physically testing. It is interesting that his countryman, John McEnroe, has decided to pass on Paris this year to concentrate on Wimbledon.

Two others who have made the same decision are Martina Navratilova and Chris Evert. Both are nursing blows to their pride after bad losses.

In their absence the coast seems to be clear for Steffi Graf to continue her dominance of the women's game unchecked. Although her nearest challenger Gabriela Sabatini has scored a lone win against the 19-year-old West German this year, the recent evidence – a thumping win by Graf in Berlin – suggests that the gulf between then is widening on the big occasions.

If you are in Paris looking for a new face, then search out Monica Seles. The 15-year-old Yugoslav may look a slip of a girl but she hits with awesome power thanks to exquisite timing.

Seeds, in draw order, for the French Open Tennis Championships:

MEN

1 Lendl	v	15 Chang
10 Carlsson	v	7 Mayotte
4 Wilander	v	13 Noah
12 Sanchez	v	5 Agassi
8 Hlasek	v	11 Mancini
14 Krickstein	v	3 Edberg
6 Mecir	v	9 Connors
16 Perez Roldan	v	2 Becker

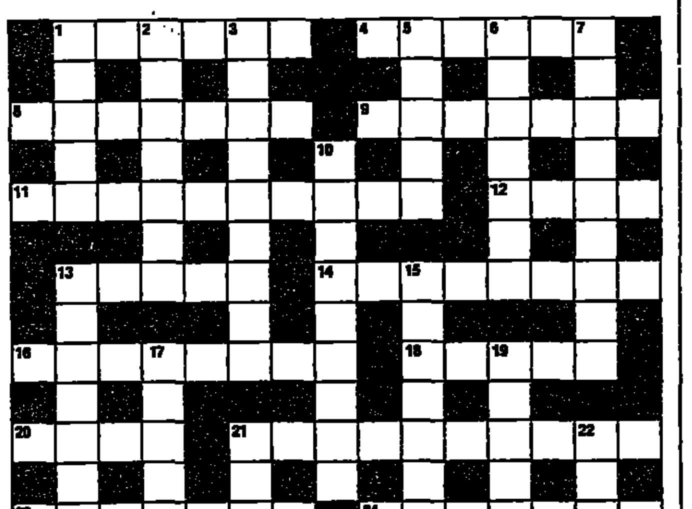
WOMEN:

1 Graf	v	14 Mandlikova
9 Maleeva K	v	8 Martinez
4 Garrison	v	16 Sloane
12 McNeil	v	6 Maleeva M
7 Sanchez	v	13 Kohde-Kilsch
11 Novotna	v	3 Zvereva
5 Sukova	v	10 Kelesi
15 Fernandez	v	2 Sabatini

CROSSWORD

No. 6,945 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday June 7, marked Crossword 6,945 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 10.



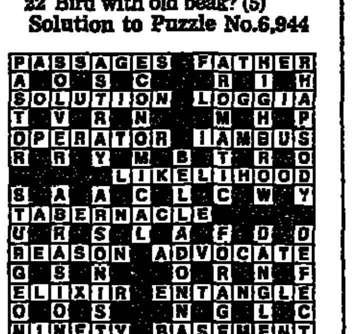
ACROSS

1, 4 Sell the Army, Navy and RAF? (6,6)
8 Study: beware it's hollow (7)
9 Sort of priest that's cautious about the New Testament? (7)
11 Princess's letter is valedictory (10)
12 State of those without a home (4)
13 Academic or voluntary supplier (5)
14 Polite disclaimer: no thanks, over six feet? (3,2,3)
16 Saint and Irishman won't budge (5,3)
18 Start where films are made? (5)
20 Flag of many colours (4)
21 County pro with his and hers involved (10)
23 A ruffle gets ruffled, I'm afraid (7)
24, 25 Child star ruined her pet – silly me! (7,6)
26 "Work" and "sit" are diametrically different (6)

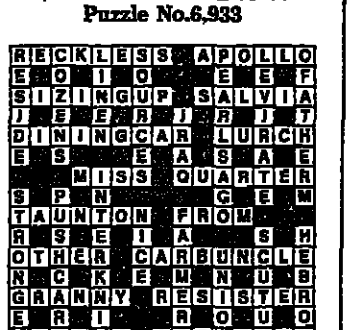
DOWN

1 Master or compiler from New Zealand (5)
2 Dives in March, possibly (4,3)
3 Listen to the roof-edge fall (9)
5 Scots exclamation about pigment (5)
6 Behaviour with baton? (7)
7 Brook mal-formation, in a way (9)
10 Means of identifying soldier's elevated character (9)
13 Stop man being cleaner (9)
15 It makes sailors of soldiers (5-4)
17 Remedy to prevent guitar playing? (7)
19 Lively movement of hers with a hundred ounces? (7)
21 Row (we hear) of bones (5)
22 Bird with old beak? (5)

Solution to Puzzle No.6,944



***Solution and winners of* Puzzle No.6,933**



Ms M. Broadbent, Biggin, Derbyshire; Mrs J. Glover, West Scrafton, N. Yorkshire; Mrs M.E. Hollocks, Norwich; Mrs B. Kay, Lancaster; Mr D.M. Smith, Tilbury Town, Essex.

TELEVISION & RADIO

SATURDAY

†indicates programme in black and white

BBC1

6:30 am Rooberb. 6:35 The Raccoons. 9:00 On the Waterfront. 10:37 Weather. 10:40 Grandstand including 10:45 Cricket (England v Australia for the Texaco International *Series from Trent Bridge*); 1:00 pm News; 1:05 Golf (The Volvo PGA Championship from Wentworth); 1:30 Racing from Haydock Park; 1:35 Golf/Cricket; 2:00 Racing from Haydock Park; 2:05 Cricket; 2:30 Racing from Haydock Park; 2:55 Football (Coverage of Scotland v England from Glasgow for the Rous Cup); also featured in the programme will be Racing from the Curragh (Goff's Irish 1,000 Guineas).

5:05 News. 5:15 Regional News and Sport. 5:20 Rolf Harris Cartoon Time. 5:45 MacGyver. 6:35 That's Show Business. 7:00 Bob Says... Opportunity Knocks. 7:50 Columbo. 9:05 News and Sport. 9:25 Midnight Caller. 10:10 The Odd Couple. 10:35 Film: "Alfie" starring Michael Caine with Shelley Winters, Millicent Martin, Julia Foster, Jane Asher, *Shirley Ann Field, Vivien Merchant* and Denholm Elliot. 12:25 am Billy Joel from Leningrad USSR.

BBC2

2:45 pm Network East. 3:25 Cricket (England v Australia for the Texaco Trophy from Trent Bridge) and Golf (The Volvo PGA Championship from Wentworth). 7:30 Newsview. 8:15 Composing the Future. 9:05 Film: "The French Lieutenant's Woman" starring Meryl Streep and Jeremy Irons. 11:05 The Week in the Lords (Christopher Jones reports). 11:45 One-Day Cricket (highlights of England v Australia for the Texaco Trophy from Trent Bridge). 12:35-1:00 am Rapido.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Ghost Train. 11:30 The Monkees. 12:00 The Chart Show. 1:00 pm ITN News followed by ITV National Weather. 1:05 Local News and Weather. 1:10 "Les Misérables" starring Lino Ventura, Michel Bouquet and Jean Carmet. 4:40 Disney Cartoon Time. 5:00 ITN News followed by ITV National Weather. 5:05 Local News and Weather. 5:10 The Incredible Hulk. 6:00 My Secret Desire.

6:45 *Combat.* 7:30 *Brian Conley - This Way* Up. 8:00 Jake and the Fat Man. 9:00 ITN News and Sport followed by ITV National Weather. 9:15 Local Weather. 9:20 Dempsey and Makepeace. 10:20 Hale & Pace. 10:50 Saturday Night at the Movies. 11:35 "Satan's School for Girls" starring Pamela Franklin and Roy Thinnes, followed by ITN News Headlines. 12:50 am Sledge Hammer!

CHANNEL 4

7:00 am Bright Sparks. 7:30 Streetwise. 8:00 Box Office Weekly. 8:30 The Oprah Winfrey Show. 9:15 Jazz Classics. 9:25 Murun Buchstansangur. 9:30 Hand in Hand. 10:00 4 What It's Worth. †10:30 "The Gun Fighter" starring Gregory Peck. 12:10 pm Dance with Me. †12:40 "Monsieur Verdoux" starring Charlie Chaplin. 3:00 Channel 4 Racing from Kempton Park and the Curragh. 5:05 Brookside Omnibus. 6:00 Right to Reply. 6:30 Challenge to Sport. 7:30 The World This Week. †9:00 "Limelight" starring Charlie Chaplin with Claire Bloom, Sydney Chaplin, Nigel Bruce and Buster Keaton. 10:35 Joan Rivers Salutes Heidi Abromowitz. 11:40 After Dark.

S4C WALES

9:25 am Murun Buchstansangur. 9:30 Open College. 10:30 Hard News. 11:00 4 What It's Worth. 11:30 *Make Way for the Lord Chancellor. 12:10 pm Street Hockey. 6:30 Paradise on* Earth. 7:00 Carreg Ateb. 7:30 Newyddion. 7:40 Resic. 8:20 Nyth Cacwn. 8:50 Cymru A'r Caiser. 10:20 The Chaplin Season: "The Great Dictator".

IBA Regions as London except at the following times:

ANGLIA

11:30 am Mr Merlin. 5:15 pm Cartoon Time. 5:20 Who's The Boss? 11:35 Starring Faye Dunaway: "Mommie Dearest".

BORDER

11:30 am The Partridge Family. 11:35 pm Film: "Daddy's Gone A-Hunting" starring Carol White, Paul Burke, Scott Hylands and Mala Powers.

Susan Penhaligon, Claire Rayner and Andrew O'Connor appear in "My Secret Desire" tonight, ITV, 6.00

CENTRAL

11:30 am The Chart Show. 12:30 pm The Spectacular World of Guinness Records. 11:35 Prisoner: Cell Block H. 12:30 am Starring Richard Boone: "The Kremlin Letter".

CHANNEL

11:30 am The Chart Show. 12:30 pm Freestyle Skiing. 11:35 Starring James Stewart: "Bandolero". 1:35 am Viewer's Choice Series: "The Time Tunnel".

GRAMPIAN

11:30 am The Chart Show. 12:30 pm A Ionach Dutheich – "An Ad Strabh" Gaelic story for young viewers who speak Gaelic. 11:35 Feature Film: "Daddy's Gone A-Hunting" starring Carol White, Paul Burke, Scott Hylands and Mala Powers. 1:25 am The Twilight Zone.

GRANADA

11:30 am The Partridge Family. 11:35 pm "Daddy's Gone A-Hunting" starring Carol White, Paul Burke and Scott Hylands. 1:35 am The Twilight Zone.

HTV

11:30 am The Chart Show. 12:30 pm Batman. 11:35 "Klute" starring Jane Fonda and Donald Sutherland.

SCOTTISH

11:30 am The Partridge Family. 11:35 pm I Love Lucy. 12:05 am The Star Movie: "Stone Pillow" starring Lucille Ball (TV movie).

TSW

11:30 am The Chart Show. 12:30 pm The Sooty Week. 4:40 Gus Honeybun's Magic Birthdays followed by Cartoon Time. 11:35 Feature Film: "Daddy's Gone A-Hunting" starring Carol White and Paul Burke.

TVS

11:30 am The Chart Show. 12:30 pm Freestyle Skiing - The Interleaf British Championships. 11:35 Starring James Stewart: "Bandolero!" 1:30 am Viewers' Choice: "Time Tunnel".

TYNE TEES

11:30 am The Partridge Family. 11:35 pm *"Daddy's Gone A-Hunting"* starring Larry Cohen, Lorenzo Semple and Carol White. 1:35 am The Twilight Zone.

ULSTER

11:30 am The Partridge Family. 11:35 pm "Daddy's Gone A-Hunting" starring Carol White.

YORKSHIRE

11:30 am The Chart Show. 12:30 pm Small Wonder. 2:00 Murder, She Wrote. 11:35 "Daddy's Gone A-Hunting" starring Carol White.

RADIO

(S) Stereo on FM

RADIO 2

6:00 am David Jacobs. 8:00 Sounds of the 60s with Jonathan King. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:00 pm The Long Hot Satsuma. 1:30 Sport On 2 with Garry Richardson, including Football, Cricket, Golf and Racing from Haydock Park. 6:00 Cinema 2 with Charles Nove. 6:30 Myself when Young. *7:00 Pop Score. 7:30 The Pasadena Roof* Orchestra. 9:30 String Sound. 10:05 Martin Kelner. 12:05 am Night Owls with Dave Gelly. 1:00 Patrick Lunt presents 'Nightride'. 3:00-4:00 A Little Night Music.

RADIO 3

7:00 am Morning Concert. 8:15 The Week on 3. 8:30 News. 8:35 Arthur Balsam (piano): Chopin. 9:30 Saturday Review. 1:00 pm News. 1:05 Third Ear. 1:30 J C Bach: Two quintets and two canzonettas. 2:05 Philip Martin (piano): Chabrier (3 Pieces pittoresques), Faure (Nocturne No 6 in D flat), Debussy (Images Bk II), Poulenc (Promenades). 3:00 Adrian Boult: Schumann (Symphony No 2), Berg (Wozzeck: Act 2 - mono), Brahms (Symphony No 1). 5:00 Jazz Record Requests. 5:45 Critics' Forum.

6:35 Korngold: Sextet Op 10 played by the Raphael Ensemble. 7:15 "Street Scene", Kurt Weill's opera in the Scottish Opera produc*tion by David Pountney, from the Theatre* Royal, Glasgow, conducted by John Mauceri, who talks about Weill's American music during the interval. 10:25 Gershwin Plus: Angela Brownridge (piano): Gershwin (3 Preludes; 16 Song Arrangements), Copland (4 Piano Blues), Barber (Excursions). 11:15 Langham Chamber Orchestra conducted by Meredith Davies: Francaix (Sei Preludi), Haydn (Sym*phony No 42). 12:00-12:05 am News.*

Medium Wave as FM except:

10:40 am-7:15 pm Cricket Special: England v Australia in the second one-day international at Trent Bridge.

RADIO 4

7:00 am Today. 9:00 News. 9:05 Sport on 4. *9:30 Breakaway. 10:00 News; Loose Ends* with Ned Sherrin. 11:00 News; The Week in Westminster. 11:30 From Our Own Correspondent. 12:00 Money Box. 12:25 pm The News Quiz (s). 12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Upon St George's Hill (s). 4:00 News; The Living World. [illegible] Piece. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather.

6:00 News; Sports Round-Up. 6:25 Citizens (s). 7:15 Consuming Passions. 7:45 The Skull Beneath The Skin (s). 8:15 Music in Mind (s). 9:50 Ten To Ten. 9:59 Weather. 10:00 News. 10:15 The Saturday Feature: 'Tum-ti-tum-ti-tum-ti-tum' Barry Norman hosts a tribute to Britain's longest-running soap celebrating its 10,000th episode this weekend. Contributors include Glenys Kinnock, Zandra Rhodes and John Walters. 10:45 Once Upon A Time. 11:00 Sweet and Low-down (s). 11:45 I, an Actor (s). 12:00-12:30 am News.

SUNDAY

†indicates programme in black and white

BBC1

8:50 am Playbus. 9:15 Making Sense – of Suffering. 9:30 This is the Day. 10:00 Handmade. 10:30 Business Matters. 10:55 When in Italy. 11:20 Help Your Child with Maths. 11:50 Who Cares. 12:05 pm See Hear! 12:30 Country File. 1:00 News; On the Record. 2:00 EastEnders. [illegible] Film: "Porridge" starring the regulars from the BBC TV series, Ronnie Barker, Fulton Mackay, Brian Wilde and Richard Beckinsdale. [illegible] Clothes Show Travel Classics. 5:40 The Antiques Roadshow. 6:15 Lifeline. 6:25 News. 6:40 Val Doonican's Homeward Bound. 7:15 Three Up, Two Down. 7:45 All Creatures Great and Small. 8:40 Mastermind. 9:10 News. 9:25 That's Life. 10:10 Everyman: 'Toby, Who Cares?'. 10:50 Lawrence of Arabia: A Tickling of Talents. 11:20 Bertinem: 'West and East'. 11:55 Network East.

BBC2

1:05 pm International Bridge Club. 1:35 Grandstand featuring: 1:40 Motor Cycling (the German Grand Prix from Hockenheim, including the 250cc and 500cc classes); 2:00 Cricket (Kent v Northamptonshire at Canterbury in the Refuge Assurance League); 2:30 Golf from Wentworth (Volvo PGA Championship); 5:00 Cricket; 5:30 Football (highlights of this afternoon's Republic of Ireland v Malta match in Dublin). 6:40 The Money Programme. 7:15 Reflections of Gold. 7:45 Theatre Night: "Benefactors" by Michael Frayn, starring Michael Kitchen, Barbara Flynn, Alan Rickman and Harriet Walter. 9:45 Another Way of Telling. 10:15 Moviedrome: Alex Cox introduces a classic thriller, continuing the season of cult movies "The Thing from Another World", starring Kenneth Tobey and Margaret Sheridan. 11:40 Grand Prix, highlights of today's Mexican Grand Prix. 12:15-1:00 am Golf from Wentworth (highlights of today's play in the Volvo PGA Championship).

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Ghost Train on Sunday. 10:15 The Campbells. 10:45 Link. 11:00 Morning Worship. 12:00 Police 5. 12:15 Local News and Weather. 1:00 pm ITN News, followed by ITV National Weather. [illegible] The Mysteries of Edgar Wallace.

CHANNEL 4

7:00 am All Muck and Magic? 7:30 International Times. 8:00 David the Gnome. 8:30 Children of Fire Mountain. [illegible]

S4C WALES

As Channel 4 except:- [illegible]

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. [illegible]

CENTRAL

[illegible]

TSW

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

12:30 pm This is Your Right. [illegible]

HTV

12:30 pm Farming Wales, followed by Weather for Farmers. [illegible]

SCOTTISH

10:45 am Glen Michael's Cavalcade. [illegible]

TVS

12:30 pm TVS News. [illegible]

TYNE TEES

[illegible]

YORKSHIRE

[illegible]

RADIO

(S) Stereo on FM

RADIO 2

7:30 am Roger Royle says 'Good morning Sunday'. 9:05 Melodies For You. 11:00 Desmond Carrington with Your Radio 2 All-Time Greats. 2:00 pm Benny Green. 3:00 Alan Dell. 4:00 Those Beautiful Ballad Years. 4:30 Sing Something Simple. (5:00 FM joins Radio 1). 7:00 Charlie Chester. 8:30 Sunday Half-Hour. 9:00 Your Hundred Best Tunes with Alan Keith. 10:05 Songs from the Shows. 10:45 Colin Purbrook at the piano. 11:00 Peter Clayton with 'Sounds of Jazz'. 1:00 am Patrick Lunt presents 'Nightride'. 3:00-4:00 A Little Night Music.

Medium Wave as above, except 2:00-7:00 pm Sunday Sport, including Golf, Motor Sport and Cricket. 6:00 Sports Report.

RADIO 3

7:00 am Mornings at Seven. 7:30 News. 7:35 Music Group of London with Ian Partridge (tenor); Ravel (Piano Trio), Szymanowski (Romance), Vaughan Williams (On Wenlock Edge). 8:30 News. 8:35 Your Concert Choice. 10:30 Music Weekly. 11:15 BBC Scottish Symphony Orchestra with Vladimir Ovchinikov (piano): Rimsky-Korsakov (Tsar Saltan Suite), Bartok (Piano Concerto No 3), Dvorak (Symphony No 9, 'From the New World'. 12:40 pm Takacs Quartet: Mozart (Quartet in G, K387), Bartok (Quartet No 1). 1:35 Third Ear. Interview with Kazuo Ishiguro, whose novel 'The Remains of the Day' was published recently. 2:20 L Subramaniam plays violin music from South India. 2:35 Bournemouth Symphony Orchestra, with Bernadette Greevy (contralto): Wagner arr Mottl (Wesendonk-Lieder), Mahler (Symphony No 7). 4:25 Haydn Festival. John Shirley-Quirk (bar), Andras Schiff (pno), Yuuko Shiokawa (vln), Steven Isserlis (cello) and the Takacs Quartet: Piano Sonata in E flat (H XVI 52), Piano Trio in C (H XV27). 5:00 Interval reading. 5:05 Canzonettas and String Quartet in F Op 77 No 2. 6:15 The Grand Seasons. (Part 2 of John Steane's five-part history of opera at Covent Garden between the wars.) 7:00 Music for Cello and Piano played by Steven Isserlis and Paul Coker: Robert Saxton (Toccata for solo cello), Franck (Sonata). 7:45 Schubert and the Early Romantics. London Classical Players/Roger Norrington, with Melvyn Tan (Fortepiano): Weber *(Overture: Oberon)*, Schubert (Symphony No 5), Beethoven (Piano Concerto No 5, 'Emperor'. 9:00 Airy Hall (poetry and recollections by Fred D'Aguiar). 9:30 Forqueray (harpsichord recital by Mitzi Meyerson). 9:55 Beethoven String quartets: Op 59 No 3 played by the Bochmann Quartet. 10:30 Choral Evensong. 11:30 Suk. Serenade for Strings Op.6. City of London Sinfonia/Richard Hickox. 12:00-12:05 am News.

RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 The Living World. 7:40 Sunday with Clive Jacobs and Trevor Barnes. 8:50 The Week's Good Cause. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service.

10:15 The Archers. 11:30 News Stand. 11:35 Pick of the Week (s). 12:15 pm Desert Island Discs (s). 12:55 Weather.

1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 Comedy Classics: "Arsenic and Old Lace" by Joseph Kesselring, starring Athene Seyler, Sybil Thorndike, Prunella Scales and Dinsdale Landen (first broadcast in 1971). 4:00 Wilko's Weekly. 4:27 The Education of Hyman Kaplan by Leo Rosten. 4:47 Treasure Islands. 5:00 News; Down Your Way. 5:40 Tales of a Dragon-Watcher.

5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Feedback. Chris Dunkley airs viewers' comments on BBC programmes and policy. 6:30 Cat's Whiskers. 7:00 News; Open Mind. 7:30 The Local Network. 8:00 Bookshelf. 8:30 All in the Mind. 9:00 Byron in Exile (s). 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 The Wandering Scholar. A celebration of the life of poet, translator, patriot and internationalist, Helen Waddell, who was born 100 years ago. 11:00 In Committee. 11:30 Seeds of Faith. 12:00-12:30 am News.